

MUNIHOLDINGS NEW JERSEY INSURED FUND INC  
Form N-30D  
March 13, 2002

[LOGO] Merrill Lynch Investment Managers

Semi-Annual Report

January 31, 2002

MuniHoldings  
New Jersey  
Insured Fund, Inc.

www.mlim.ml.com

MuniHoldings New Jersey Insured Fund, Inc.

#### The Benefits and Risks of Leveraging

MuniHoldings New Jersey Insured Fund, Inc. utilizes leverage to seek to enhance the yield and net asset value of its Common Stock. However, these objectives cannot be achieved in all interest rate environments. To leverage, the Fund issues Preferred Stock, which pays dividends at prevailing short-term interest rates, and invests the proceeds in long-term municipal bonds. The interest earned on these investments is paid to Common Stock shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share net asset value of the Fund's Common Stock. However, in order to benefit Common Stock shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. At the same time, a period of generally declining interest rates will benefit Common Stock shareholders. If either of these conditions change, then the risks of leveraging will begin to outweigh the benefits.

To illustrate these concepts, assume a fund's Common Stock capitalization of \$100 million and the issuance of Preferred Stock for an additional \$50 million, creating a total value of \$150 million available for investment in long-term municipal bonds. If prevailing short-term interest rates are approximately 3% and long-term interest rates are approximately 6%, the yield curve has a strongly positive slope. The fund pays dividends on the \$50 million of Preferred Stock based on the lower short-term interest rates. At the same time, the fund's total portfolio of \$150 million earns the income based on long-term interest rates. Of course, increases in short-term interest rates would reduce (and even eliminate) the dividends on the Common Stock.

In this case, the dividends paid to Preferred Stock shareholders are significantly lower than the income earned on the fund's long-term investments, and therefore the Common Stock shareholders are the beneficiaries of the incremental yield. However, if short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental yield pickup on the Common Stock will be reduced or eliminated completely. At the same time, the market value of the fund's Common Stock (that is, its price as listed on the New York Stock Exchange) may, as a result, decline. Furthermore, if long-term interest rates rise, the Common Stock's net asset value will reflect the full decline in the price of the portfolio's investments, since the value of the fund's Preferred Stock does not fluctuate. In addition to the decline in net asset value, the market value of the fund's Common Stock may also decline.

As a part of its investment strategy, the Fund may invest in certain securities

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whose potential income return is inversely related to changes in a floating interest rate ("inverse floaters"). In general, income on inverse floaters will decrease when short-term interest rates increase and increase when short-term interest rates decrease. Investments in inverse floaters may be characterized as derivative securities and may subject the Fund to the risks of reduced or eliminated interest payments and losses of investment principal. In addition, inverse floaters have the effect of providing investment leverage and, as a result, the market value of such securities will generally be more volatile than that of fixed rate, tax-exempt securities. To the extent the Fund invests in inverse floaters, the market value of the Fund's portfolio and the net asset value of the Fund's shares may also be more volatile than if the Fund did not invest in these securities.

The Fund may also invest in swap agreements, which are over-the-counter contracts in which one party agrees to make periodic payments based on the change in market value of a specified bond, basket of bonds, or index in return for periodic payments based on a fixed or variable interest rate or the change in market value of a different bond, basket of bonds or index. Swap agreements may be used to obtain exposure to a bond or market without owning or taking physical custody of securities.

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TO OUR SHAREHOLDERS

For the six-month period ended January 31, 2002, the Common Stock of MuniHoldings New Jersey Insured Fund, Inc. earned \$0.433 per share income dividends, which included earned and unpaid dividends of \$0.073. This represents a net annualized yield of 5.94%, based on a month-end net asset value of \$14.47 per share. Over the same period, the total investment return on the Fund's Common Stock was +2.69%, based on a change in per share net asset value from \$14.54 to \$14.47, and assuming reinvestment of \$0.426 per share income dividends.

For the six months ended January 31, 2002, the Fund's Auction Market Preferred Stock had an average yield as follows: Series A, 1.67%; Series B, 1.81%; Series C, 1.86%; Series D, 1.71%; and Series E, 1.86%.

The Municipal Market Environment

Throughout most of the six-month period ended January 31, 2002, long-term fixed-income interest rates exhibited considerable volatility. During the January 2002 period, long-term US Treasury bond yields registered slight declines while long-term municipal bond yields were largely unchanged. From early summer through early September 2001, fixed-income yields generally declined. Weak economic growth, exemplified by declines in industrial production and large losses in employment, easily outweighed modest strength in consumer confidence and spending. Consensus was that a meaningful US economic recovery was unlikely before early 2002. Consequently, US equity markets remained under pressure and fixed-income instruments benefited. By the end of August 2001, the Federal Reserve Board had lowered its target for short-term interest rates to 3.50%, cutting interest rates by 300 basis points (3.00%) during the first eight months of 2001.

By early September there were some, albeit few, indications pointing toward the beginning of a US economic recovery. Immediately following the tragedy of the World Trade Center and Pentagon attacks, however, all such indications effectively vanished. After anemic economic growth of just 0.3% during the second quarter of 2001, US gross domestic product growth was reported to have declined 1.3% during the third quarter of 2001. The Federal Reserve Board quickly lowered short-term interest rates an additional 50 basis points

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immediately following the terrorist attacks, just prior to the reopening of the stock exchanges. This marked the eighth time in 2001 that the Federal Reserve Board had eased monetary conditions. Despite the events of September 11, the Federal Reserve Board noted that the nation's long-term economic prospects remained favorable.

Initially, long-term interest rates rose during the days following the September 11 attacks. The quick response by both Federal and state governments to stabilize, aid and revive US business activities, promptly improved fixed-income investors' confidence. Investor attention again focused on weak US economic fundamentals and on a financial environment further impaired by the economic losses resulting from the recent attacks. In addition to the immediate loss of four days of equity trading and air transportation, including air cargo transfers, US consumer confidence was expected to be severely shaken, resulting in weaker consumer spending and, eventually, diminished business manufacturing. By September 30, 2001, US Treasury bond yields declined to 5.42%, their approximate level before the September attacks.

In early October, the Federal Reserve Board lowered short-term interest rates an additional 50 basis points to a target of 2.50%, the lowest rate in nearly 40 years. US economic reports continued to be very weak, pushing US equity prices lower in early October and bond prices higher. US military reprisals in Afghanistan also helped support higher bond prices as investors sought the safe haven of US Treasury obligations. At the end of October, the US Treasury announced that it would no longer issue 30-year maturity bonds, triggering an explosive fixed-income rally as investors scrambled to purchase soon-to-be-unavailable issues. By the end of October, long-term US Treasury bond yields declined to 4.87%, falling more than 50 basis points in October 2001. Despite additional decreases in its short-term interest rate target to 1.75% by the Federal Reserve Board, long-term fixed-income markets were unable to hold their October gains. Rapid, significant US military success in Afghanistan, stronger-than-expected retail sales, and recovering US equity markets combined to suggest to many investors that a US economic recovery was far more imminent than had been expected earlier in the fall of 2001. Bond yields rose during November and December 2001 as investors sold securities both to realize recent profits and in anticipation of an early reversal of the Federal Reserve Board's policy. By the end of December, long-term US Treasury bond yields rose to approximately 5.45%.

During January 2002, economic indicators were mixed and fixed-income bond yields remained volatile. The January index of leading economic conditions rose for the third consecutive month signaling that US economic activity is likely to expand later this year. However, employment trends, especially in manufacturing, remained weak suggesting that recent increases in consumer confidence and spending were fragile. In late January 2002, fourth quarter 2001 gross domestic product growth was initially estimated at 0.2%, reflecting only modest improvement of negative growth from the third quarter of 2001. At month end, the Federal Reserve Board ceased its aggressive series of interest rate reductions by maintaining its overnight interest rate target at 1.75%, a 40-year low. The Federal Reserve Board noted that while US economic activity was beginning to strengthen, it was still possible that earlier economic weakness could return should consumer spending decline. At the end of January 2002, long-term US Treasury bond yields stood at 5.43%, a decline of approximately 10 basis points during the past six months.

The municipal bond market displayed a very similar pattern during the January period. Long-term tax-exempt bond yields had generally declined through early September as strong investor demand easily outweighed sizable increases in new bond issuance. The disruption in the financial markets following the September 11 attacks also served to push tax-exempt bond yields higher. The municipal bond market was able to reorganize operations quickly, and tax-exempt bond yields declined in conjunction with US Treasury bond yields for the remainder of the

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six-month period. While municipal bond yields were unable to match the dramatic declines witnessed in the US Treasury market, tax-exempt bond prices rose strongly during late October. As measured by the Bond Buyer Revenue Bond Index, at the end of October 2001, long-term municipal bond yields stood at 5.23%, declining approximately 20 basis points during October.

Similar to its taxable counterpart, the long-term municipal bond market also was unable to maintain the improvements made in September and October 2001. In addition to a slightly stronger financial environment, increased tax-exempt bond issuance during the last three months of the period also put upward pressure on municipal bond yields. By the end of January 2002, long-term tax-exempt revenue bond yields rose to approximately 5.45%. During the last six months, tax-exempt bond yields rose less than five basis points.

Interest rates appear likely to remain near current levels in early 2002 as US economic conditions are expected to remain weak. However, going forward, business activity is likely to accelerate, perhaps significantly. Immediately after the September 11 attacks, the Federal Government announced a \$45 billion aid package for New York City, Washington, DC and the airline industry, with additional fiscal aid packages expected. The military response to these attacks will continue to require sizable increases in Defense Department spending. Eventually, this governmental spending should result in increased US economic activity, particularly in the construction and defense industries. This governmental stimulus, in conjunction with the actions already taken by the Federal Reserve Board, can be expected to generate significant increases in US gross domestic product growth some time in mid-2002.

As inflationary pressures are expected to remain well-contained going forward, increased economic activity need not result in significant increases in long-term bond yields. Also, throughout much of 2001, the municipal bond market exhibited far less volatility than its taxable counterparts. Since the strong technical position that supported the tax-exempt bond market's performance for much of 2001 can be

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expected to continue going forward, any potential increases in municipal bond yields also can be expected to be minimal.

### Portfolio Strategy

During the six-month period ended January 31, 2002, we maintained a neutral position for the Fund relative to the municipal bond market. We continued our strategy of seeking to reduce the Fund's volatility by selling interest rate-sensitive issues. With the proceeds, we purchased bonds maturing in the 15-year - 20-year range. During the last three months, more than \$4 billion of long-term tax-exempt bonds was issued in New Jersey, with almost \$2 billion of it coming from one issue in December 2001. Despite the increased supply, retail and institutional demand remained strong. At this time, we expect to remain fully invested in an effort to enhance shareholder income.

The 475 basis point decline in short-term interest rates by the Federal Reserve Board in 2001 resulted in a material decrease in the Fund's borrowing cost into the 1% - 1.25% range. This decline, in combination with a steep tax-exempt yield curve, benefited the Fund's Common Stock shareholders from the leveraging of the Preferred Stock. Additional limited declines in short-term interest rates are expected this year. These declines should lead to lower borrowing costs for the Fund and increased yields for the Fund's Common Stock shareholders. However,

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should short-term tax-exempt interest rates rise, the benefits of leveraging will diminish and the yield paid to the Common Stock shareholder will decline. (For a complete explanation of the benefits and risks of leveraging, see page 1 of this report to shareholders.)

In Conclusion

We appreciate your ongoing interest in MuniHoldings New Jersey Insured Fund, Inc., and we look forward to serving your investment needs in the months and years ahead.

Sincerely,

/s/ Terry K. Glenn

Terry K. Glenn  
President and Director

/s/ Kenneth A. Jacob

Kenneth A. Jacob  
Senior Vice President

/s/ John M. Loffredo

John M. Loffredo  
Senior Vice President

/s/ Robert D. Sneed

Robert D. Sneed  
Vice President and Portfolio Manager

March 7, 2002

### PROXY RESULTS

During the six-month period ended January 31, 2002, MuniHoldings New Jersey Insured Fund, Inc.'s Common Stock shareholders voted on the following proposal. The proposal was approved at a shareholders' meeting on December 12, 2001. The description of the proposal and number of shares voted are as follows:

|                                   |                       | Shares Voted<br>For |
|-----------------------------------|-----------------------|---------------------|
| -----                             |                       |                     |
| 1. To elect the Fund's Directors: | Terry K. Glenn        | 20,525,467          |
|                                   | Robert W. Forbes      | 20,525,467          |
|                                   | Cynthia A. Montgomery | 20,525,467          |
|                                   | Kevin A. Ryan         | 20,522,367          |
|                                   | Roscoe S. Suddarth    | 20,525,467          |
|                                   | Edward D. Zinbarg     | 20,523,386          |
| -----                             |                       |                     |

During the six-month period ended January 31, 2002, MuniHoldings New Jersey

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Insured Fund, Inc.'s Preferred Stock shareholders (Series A-E) voted on the following proposal. The proposal was approved at a shareholders' meeting on December 12, 2001. The description of the proposal and number of shares voted are as follows:

|   | Shares Voted<br>For |
|---|---------------------|
| -----   |                     |
| 1. To elect the Fund's Board of Directors: Terry K. Glenn, Ronald W. Forbes, Cynthia A. Montgomery, Charles C. Reilly, Kevin A. Ryan, Roscoe S. Suddarth, Richard R. West and Edward D. Zinbarg as follows: |                     |
| Series A  | 1,349               |
| Series B  | 1,320               |
| Series C  | 2,024               |
| Series D  | 1,877               |
| Series E  | 1,112               |
| -----   |                     |

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MuniHoldings New Jersey Insured Fund, Inc., January 31, 2002

### SCHEDULE OF INVESTMENTS

(in Thousands)

| STATE             | S&P<br>Ratings | Moody's<br>Ratings | Face<br>Amount | Issue  |
|-------------------|----------------|--------------------|----------------|--|
| =====             |                |                    |                |  |
| New Jersey--87.1% | AAA            | Aaa                | \$ 1,875       | Atlantic Highlands, New Jersey, Highland Regional Sewer Revenue Refunding Bonds, 5.50% due 1/01/2012 |
|                   | AAA            | Aaa                | 700            | Bergen County, New Jersey, Utilities Authority Series A, 5.375% due 12/15/2012 (b)                   |
|                   |                |                    |                | Camden County, New Jersey, Improvement Authority Bonds (c):  |
|                   | AAA            | Aaa                | 1,540          | 5.50% due 9/01/2016  |
|                   | AAA            | Aaa                | 2,635          | 5.375% due 9/01/2019   |
|                   | NR*            | Aaa                | 430            | Carteret, New Jersey, Board of Education, COP  |
|                   | AAA            | Aaa                | 5,710          | Casino Reinvestment Development Authority, New Jersey Revenue Bonds, Series A, 5.25% due 10/01/2017  |
|                   | AAA            | Aaa                | 2,005          | Delaware River and Bay Authority Revenue Bonds 1/01/2018 (a)   |
|                   |                |                    |                | Delaware River Port Authority of Pennsylvania Bonds (c):   |
|                   | AAA            | Aaa                | 5,000          | 5.50% due 1/01/2012  |
|                   | AAA            | Aaa                | 6,000          | 5.625% due 1/01/2013   |
|                   | AAA            | Aaa                | 500            | 5.75% due 1/01/2015  |
|                   | AAA            | Aaa                | 4,865          | 6% due 1/01/2018   |
|                   | AAA            | Aaa                | 5,525          | 6% due 1/01/2019   |

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|     |     |       |   |
|-----|-----|-------|---|
| AAA | Aaa | 2,425 | (Port District Project), Series B, 5.625% d   |
| AAA | Aaa | 7,895 | East Orange, New Jersey, Board of Education, 8/01/2012 (c)  |
| NR* | Aaa | 1,000 | East Orange, New Jersey, Water Utility, GO, R due 6/15/2022 (a)   |
| NR* | Aaa | 4,000 | Essex County, New Jersey, Improvement Authori (Correctional Facility Project), 6% due 10/                     |
| NR* | Aaa | 3,100 | (County Correctional Facility Project), 5.7   |
| AAA | Aaa | 3,300 | Essex County, New Jersey, Improvement Authori Refunding Bonds (County Jail and Youth House due 12/01/2024 (a) |
| AAA | Aaa | 2,705 | Essex County, New Jersey, Improvement Authori Bonds (d): (East Orange Franchise), 6% due 7/01/2018            |
| AAA | Aaa | 3,050 | (Orange Franchise), Series A, 5.75% due 7/0   |
| NR* | Aaa | 1,100 | Essex County, New Jersey, Utilities Authority Refunding Bonds, Series A, 4.80% due 4/01/201                   |
| NR* | Aaa | 1,805 | Ewing Township, New Jersey, School District, 5.30% due 8/01/2019  |
| NR* | Aaa | 1,780 | 5.30% due 8/01/2020   |
| AAA | Aaa | 1,240 | Freehold, New Jersey, Regional High School Di 5% due 3/01/2016 (b)  |
| AAA | Aaa | 1,500 | Hoboken, New Jersey, Parking Authority, Parki Series A, 5.30% due 5/01/2027 (a)                               |
| AAA | Aaa | 2,040 | Hopewell Valley, New Jersey, Regional School 5% due 8/15/2014 (b)   |
| AAA | Aaa | 1,255 | Hunterdon, New Jersey, Central Regional High Refunding (c): 5.25% due 5/01/2014                               |
| AAA | Aaa | 1,260 | 5.25% due 5/01/2015   |
| AAA | Aaa | 765   | Jersey City, New Jersey, GO, Refunding, Quali 5.375% due 9/01/2017 (c)  |
| NR* | Aaa | 5,250 | Lafayette Yard, New Jersey, Community Develop (Hotel/Conference Center Project--Trenton) (d 6% due 4/01/2010  |
| NR* | Aaa | 1,125 | 6.125% due 4/01/2010  |
| NR* | Aaa | 1,155 | Lafayette Yard, New Jersey, Community Develop Bonds (Hotel/Conference Center Project--Trent 4/01/2017 (b)     |
| AAA | Aaa | 825   | Lopatcong Township, New Jersey, Board of Educ 5.70% due 7/15/2010 (c) (e)                                     |
| AAA | Aaa | 1,000 | Marlboro Township, New Jersey, Board of Educa 5.25% due 7/15/2017 (c)   |
| AAA | Aaa | 1,375 | Middlesex County, New Jersey, COP (d): 5.50% due 8/01/2016  |

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|       |        |       |  |
|-------|--------|-------|--|
| AAA   | Aaa    | 1,550 | 5.25% due 6/15/2023                            |
| ----- |        |       |  |
|       |        |       | Middlesex County, New Jersey, Improvement Aut  |
|       |        |       | Bonds (Educational Services Commission Project |
| AAA   | Aaa    | 3,970 | 5.70% due 7/15/2020                            |
| AAA   | Aaa    | 5,270 | 6% due 7/15/2025                               |
| ----- |        |       |  |
| AAA   | Aaa    | 500   | Middlesex County, New Jersey, Improvement Aut  |
|       |        |       | (Senior Citizens Housing Project), AMT, 5.50%  |
| ----- |        |       |  |
| AAA   | Aaa    | 1,475 | Middletown Township, New Jersey, Board of Edu  |
|       |        |       | 5% due 8/01/2016 (c)                           |
| ----- |        |       |  |
|       |        |       | Monmouth County, New Jersey, Improvement Auth  |
|       |        |       | Bonds (a):                                     |
| AAA   | Aaa    | 1,540 | 5.35% due 12/01/2017                           |
| AAA   | Aaa    | 1,470 | 5.375% due 12/01/2018                          |
| ----- |        |       |  |
| NR*   | Aaa    | 1,000 | Monroe Township, New Jersey, Municipal Utilit  |
|       |        |       | County Revenue Refunding Bonds, 5.25% due 2/0  |
| ----- |        |       |  |
| AAA   | Aaa    | 2,304 | Mount Laurel Township, New Jersey, Board of E  |
|       |        |       | 8/01/2019 (b)                                  |
| ----- |        |       |  |
| AAA   | Aaa    | 3,060 | New Jersey EDA, Construction Revenue Bonds, G  |
|       |        |       | Series A, 5.50% due 6/15/2012 (a)              |
| ----- |        |       |  |
| A1+   | NR*    | 4,500 | New Jersey EDA, Economic Development Revenue   |
|       |        |       | (Foreign Trade Zone Project), VRDN, 1.40% due  |
| ----- |        |       |  |
| AAA   | Aaa    | 5,000 | New Jersey EDA, Lease Revenue Bonds (Universi  |
|       |        |       | Dentistry--International Center for Public He  |
|       |        |       | 6% due 6/01/2032 (a)                           |
| ----- |        |       |  |
| A1+   | VMIG1@ | 1,000 | New Jersey EDA, Natural Gas Facilities Revenue |
|       |        |       | Project), VRDN, AMT, Series A, 1.45% due 6/01  |
| ----- |        |       |  |

Portfolio Abbreviations

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

|         |  |
|---------|--|
| AMT     | Alternative Minimum Tax (subject to)   |
| COP     | Certificates of Participation          |
| DRIVERS | Derivative Inverse Tax-Exempt Receipts |
| EDA     | Economic Development Authority         |
| GO      | General Obligation Bonds               |
| PCR     | Pollution Control Revenue Bonds        |
| RIB     | Residual Interest Bonds                |
| VRDN    | Variable Rate Demand Notes             |

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SCHEDULE OF INVESTMENTS (continued)

(in Thousands)



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| STATE                     | S&P Ratings | Moody's Ratings | Face Amount | Issue  |
|---------------------------|-------------|-----------------|-------------|--|
| New Jersey<br>(continued) | AAA         | Aaa             | \$18,920    | New Jersey EDA, Natural Gas Facilities Revenue (NUI Corporation Projects), Series A, 5.70%   |
|                           | A1+         | VMIG1@          | 100         | (New Jersey Natural Gas Co. Project), VRDN, due 8/01/2030 (a) (g)                            |
|                           | NR*         | Aaa             | 3,155       | RIB, Series 161, 9.82% due 6/01/2032 (d) (f)   |
|                           |             |                 |             | New Jersey EDA, Parking Facility Revenue Bond Company Project) (b):                          |
|                           | AAA         | Aaa             | 1,430       | 5.60% due 10/15/2019   |
|                           | AAA         | Aaa             | 1,000       | 5.60% due 10/15/2026   |
|                           | AAA         | NR*             | 4,580       | New Jersey EDA, Revenue Bonds, DRIVERS, Series due 5/01/2016 (c) (f)                         |
|                           |             |                 |             | New Jersey EDA, School Facilities Construction Series A (a):                                 |
|                           | AAA         | Aaa             | 1,100       | 5.125% due 6/15/2014   |
|                           | AAA         | Aaa             | 7,000       | 5.25% due 6/15/2017  |
|                           | AAA         | Aaa             | 7,200       | 5.25% due 6/15/2018  |
|                           |             |                 |             | New Jersey EDA, State Lease Revenue Bonds (St Projects) (a):                                 |
|                           | AAA         | Aaa             | 3,000       | 6% due 6/15/2015   |
|                           | AAA         | Aaa             | 4,620       | 6.25% due 6/15/2020  |
|                           |             |                 |             | New Jersey EDA, Water Facilities Revenue Refu of New Jersey Inc. Project), VRDN (a) (g):     |
|                           | A1+         | VMIG1@          | 3,400       | AMT, Series C, 1.50% due 11/01/2025  |
|                           | A1+         | VMIG1@          | 2,500       | Series A, 1.45% due 11/01/2026   |
|                           | AAA         | Aaa             | 2,820       | New Jersey Health Care Facilities Financing A (Society of the Valley Hospital), 5.375% due   |
|                           |             |                 |             | New Jersey Health Care Facilities Financing A Refunding Bonds:                               |
|                           | AAA         | Aaa             | 4,000       | (AHS Hospital Corporation), Series A, 6% due   |
|                           | AAA         | Aaa             | 1,000       | (Meridian Health System Obligation Group),   |
|                           | AAA         | Aaa             | 2,400       | New Jersey Sports and Exposition Authority, S Bonds, Series A, 6% due 3/01/2013 (d)          |
|                           | A1+         | VMIG1@          | 100         | New Jersey Sports and Exposition Authority, S Bonds, VRDN, Series C, 1.10% due 9/01/2024 (d) |
|                           |             |                 |             | New Jersey State Educational Facilities Autho (Capital Improvement Fund), Series A, 5.75%    |
|                           | AAA         | Aaa             | 8,905       | (Capital Improvement Fund), Series A, 5.75%  |
|                           | AAA         | Aaa             | 9,420       | (Princeton Theological), Series B, 5.90% du  |
|                           | AAA         | Aaa             | 2,000       | (Trenton State College), Series A, 5.75% du  |
|                           | AAA         | Aaa             | 2,350       |  |
|                           |             |                 |             | New Jersey State Educational Facilities Autho Bonds:   |
|                           | AAA         | Aaa             | 2,375       | (Rowan University), Series C, 5.25% due 7/0  |
|                           | AAA         | Aaa             | 2,820       | (Rowan University), Series C, 5.25% due 7/0  |
|                           | AAA         | Aaa             | 2,635       | (Rowan University), Series C, 5.25% due 7/0  |
|                           | AAA         | Aaa             | 350         | (Seton Hall University Project), Series A,   |

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|       |     |        |   |
|-------|-----|--------|---|
| AAA   | Aaa | 660    | (Seton Hall University Project), Series A,  |
| AAA   | Aaa | 4,000  | (University of Medicine and Dentistry), Ser<br>12/01/2017 (a)                                 |
| ----- |     |        |   |
|       |     |        | New Jersey State Highway Authority, Garden St<br>Revenue Refunding Bonds:                     |
| AAA   | Aaa | 3,200  | 5.75% due 1/01/2015 (b)   |
| AA-   | A1  | 1,900  | 5.625% due 1/01/2030  |
| ----- |     |        |   |
|       |     |        | New Jersey State Highway Authority, Garden St<br>Revenue Refunding Bonds, Senior Parkway (b): |
| AAA   | Aaa | 2,000  | 5.25% due 1/01/2018   |
| AAA   | Aaa | 3,085  | 5.25% due 1/01/2019   |
| ----- |     |        |   |
|       |     |        | New Jersey State Housing and Mortgage Finance<br>Revenue Bonds (d):                           |
| AAA   | Aaa | 9,215  | AMT, Series K, 6.375% due 10/01/2026  |
| AAA   | Aaa | 1,555  | AMT, Series M, 6.95% due 10/01/2022   |
| AAA   | Aaa | 5,580  | AMT, Series M, 7% due 10/01/2026  |
| AAA   | Aaa | 1,000  | AMT, Series U, 5.60% due 10/01/2012   |
| AAA   | Aaa | 2,820  | AMT, Series U, 5.65% due 10/01/2013   |
| AAA   | Aaa | 3,000  | AMT, Series U, 5.75% due 4/01/2018  |
| AAA   | Aaa | 2,320  | AMT, Series U, 5.85% due 4/01/2029  |
| AAA   | Aaa | 2,540  | Series L, 6.65% due 10/01/2014  |
| ----- |     |        |   |
|       |     |        | New Jersey State Housing and Mortgage Finance<br>Revenue Refunding Bonds, AMT, Series S (d):  |
| AAA   | Aaa | 2,440  | 5.95% due 10/01/2017  |
| AAA   | Aaa | 2,050  | 6.05% due 10/01/2028  |
| ----- |     |        |   |
|       |     |        | New Jersey State Transit Corporation, COP (Fe<br>Administration Grants), Series A (a):        |
| AAA   | Aaa | 4,000  | 6% due 9/15/2013  |
| AAA   | Aaa | 5,000  | 6.125% due 9/15/2015  |
| ----- |     |        |   |
|       |     |        | New Jersey State Transportation Trust Fund Au<br>System Revenue Bonds, Series A:              |
| AAA   | Aaa | 4,265  | 6% due 6/15/2010 (c) (e)  |
| AA    | Aa2 | 7,740  | 6% due 6/15/2010 (e)  |
| AA    | Aa2 | 7,500  | 6% due 6/15/2010 (e) (h)  |
| AAA   | Aaa | 2,000  | 5% due 6/15/2015 (c)  |
| AAA   | NR* | 10,000 | 5.25% due 6/15/2015 (d)   |
| AAA   | Aaa | 3,000  | 5.75% due 6/15/2015 (d)   |
| ----- |     |        |   |
|       |     |        | New Jersey State Transportation Trust Fund Au<br>System Revenue Refunding Bonds, Series B:    |
| AAA   | Aaa | 2,500  | 6% due 12/15/2017 (d)   |
| AAA   | Aaa | 7,440  | 6% due 12/15/2019   |
| ----- |     |        |   |
| AAA   | Aaa | 6,605  | New Jersey State Transportation Trust Fund, T<br>Authority Revenue Refunding Bonds, Series B, |
| ----- |     |        |   |
|       |     |        | New Jersey State Turnpike Authority, Turnpike<br>Bonds (d):                                   |
| AAA   | Aaa | 20,000 | Series A, 5.75% due 1/01/2019   |
| AAA   | Aaa | 5,520  | Series C, 6.50% due 1/01/2016   |
| ----- |     |        |   |
|       |     |        | North Bergen Township, New Jersey, Board of E   |
| NR*   | Aaa | 1,250  | 5% due 12/15/2018   |
| NR*   | Aaa | 1,000  | 6% due 12/15/2019   |
| NR*   | Aaa | 1,580  | 6.25% due 12/15/2020  |
| NR*   | Aaa | 1,680  | 6.25% due 12/15/2021  |

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 NR\*      Aaa           3,035      Orange Township, New Jersey, Municipal Utilit  
 Refunding, Series C, 5.10% due 12/01/2017 (d)  
 -----

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MuniHoldings New Jersey Insured Fund, Inc., January 31, 2002

SCHEDULE OF INVESTMENTS (concluded)

(in Thousands)

| STATE                     | S&P<br>Ratings | Moody's<br>Ratings | Face<br>Amount                                | Issue  |
|---------------------------|----------------|--------------------|---|--|
| New Jersey<br>(concluded) |                |                    |   | Passaic County, New Jersey, GO, Refunding (c)  |
|                           | NR*            | Aaa                | \$ 2,080                                      | 5.25% due 6/01/2013  |
|                           | NR*            | Aaa                | 2,170   | 5.25% due 6/01/2014  |
|                           | NR*            | Aaa                | 2,360   | 5.25% due 6/01/2015  |
|                           | NR*            | Aaa                | 2,350   | 5.25% due 6/01/2016  |
|                           |                |                    |   | Paterson, New Jersey, Public School District,  |
|                           | NR*            | Aaa                | 1,980   | 6.125% due 11/01/2015  |
|                           | NR*            | Aaa                | 2,000   | 6.25% due 11/01/2019   |
|                           |                |                    |   | Salem County, New Jersey, Industrial Pollution   |
|                           |                |                    |   | Authority Revenue Refunding Bonds:   |
|                           | AAA            | Aaa                | 5,000   | (Atlantic City Electric Company), 6.15% due  |
|                           | AAA            | Aaa                | 2,000   | (Public Service Electric & Gas), Series C,   |
|                           | AAA            | Aaa                | 2,565   | South Jersey Transportation Authority, New Je  |
|                           | AAA            | Aaa                | 4,325   | System Revenue Refunding Bonds, 5.25% due 11/<br>Trenton, New Jersey, Parking Authority, Parki |
|                           |                |                    | DRIVERS, Series 221, 10.76% due 4/01/2010 (b) |  |
|                           |                |                    | West Deptford Township, New Jersey, GO (b):   |  |
| NR*                       | Aaa            | 4,170              | 5.625% due 9/01/2026                          |  |
| NR*                       | Aaa            | 4,410              | 5.625% due 9/01/2027                          |  |
| NR*                       | Aaa            | 3,615              | 5.625% due 9/01/2028                          |  |
| NR*                       | Aaa            | 4,940              | 5.625% due 9/01/2029                          |  |
|                           |                |                    | West Orange, New Jersey, Board of Education,  |  |
| NR*                       | Aaa            | 2,040              | 5.75% due 10/01/2014                          |  |
| NR*                       | Aaa            | 3,615              | 6% due 10/01/2024                             |  |
| AAA                       | Aaa            | 1,600              | West Windsor-Plainsboro, New Jersey, Regional |  |
|                           |                |                    | 5.50% due 12/01/2013 (b)                      |  |
| New York--5.8%            | AAA            | Aaa                | 4,750   | Port Authority of New York and New Jersey, Co  |
|                           |                |                    |   | Refunding Bonds, AMT, 119th Series, 5.50% due  |
|                           |                |                    |   | Port Authority of New York and New Jersey, Sp  |
|                           |                |                    |   | Bonds, AMT (d):  |
|                           | AAA            | NR*                | 2,375   | DRIVERS, Series 192, 10.02% due 12/01/2025   |
|                           | NR*            | Aaa                | 2,165   | (JFK International Air Terminal LLC), RIB,   |
|                           |                |                    |   | 12/01/2022 (f)   |

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|   |     |        |        |  |
|---|-----|--------|--------|--|
|   | AAA | Aaa    | 13,500 | (JFK International Air Terminal--Special Pr<br>due 12/01/2011                                  |
|   | AAA | Aaa    | 1,500  | (JFK International Airport Terminal), Serie  |
|   |     |        |        | Port Authority of New York and New Jersey, Sp  |
|   |     |        |        | Refunding Bonds (Versatile Structure Obligati  |
|   | A1+ | VMIG1@ | 1,100  | Series 2, 1.55% due 5/01/2019  |
|   | A1+ | VMIG1@ | 800    | Series 3, 1.55% due 6/01/2020  |
|   | A1+ | VMIG1@ | 500    | Series 5, 1.55% due 8/01/2024  |
| Puerto Rico--5.9%                                       | NR* | Aaa    | 7,875  | Puerto Rico Commonwealth, GO, RIB, Series 365<br>due 7/01/2005 (d) (e) (f)                     |
|   | A   | Baa1   | 6,000  | Puerto Rico Commonwealth Highway and Transpor<br>Transportation Revenue Bonds, Series B, 6% du |
|   | AAA | Aaa    | 2,355  | Puerto Rico Electric Power Authority, Power R<br>5.50% due 7/01/2025 (d)                       |
|   |     |        |        | Puerto Rico Industrial Tourist, Educational,<br>Control Facilities Revenue Bonds, Series A:    |
|   | AAA | Aaa    | 1,780  | (Hospital Auxilio Mutuo Obligation Group),   |
|   | AA  | Aa2    | 1,750  | (Hospital de la Concepcion), 6.50% due 11/1  |
|   | AAA | Aaa    | 7,120  | Puerto Rico Public Financing Corporation Reve<br>Appropriation), Series A, 5.50% due 8/01/2019 |
| Total Investments (Cost--\$482,283)--98.8%              |     |        |        |  |
| Variation Margin on Financial Futures Contracts**--0.0% |     |        |        |  |
| Other Assets Less Liabilities--1.2%                     |     |        |        |  |
| Net Assets--100.0%                                      |     |        |        |  |

- (a) AMBAC Insured.  
 (b) FGIC Insured.  
 (c) FSA Insured.  
 (d) MBIA Insured.  
 (e) Prerefunded.  
 (f) 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 January 31, 2002.  
 (g) The interest rate is subject to change periodically based upon prevailing market rates. The interest rate shown is the rate in effect at January 31, 2002.  
 (h) All or a portion of security held as collateral in connection with open financial futures contracts.  
 @ Highest short-term rating by Moody's Investors Service, Inc.  
 \* Not Rated.  
 \*\* Financial futures contracts sold as of January 31, 2002 were as follows:

| Number of<br>Contracts | Issue             | Expiration<br>Date | Value        |
|------------------------|-------------------|--------------------|--------------|
| 235                    | US Treasury Bonds | March 2002         | \$24,880,625 |

Total Financial Futures Contracts Sold

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(Total Contract Price--\$24,994,453)

\$24,880,625

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See Notes to Financial Statements.

Quality Profile

The quality ratings of securities in the Fund as of January 31, 2002 were as follows:

| S&P Rating/Moody's Rating | Percent of Net Assets |
|---------------------------|-----------------------|
| AAA/Aaa .....             | 90.6%                 |
| AA/Aa .....               | 4.2                   |
| A/A .....                 | 1.2                   |
| Other* .....              | 2.8                   |

\* Temporary investments in short-term municipal securities.

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MuniHoldings New Jersey Insured Fund, Inc., January 31, 2002

STATEMENT OF ASSETS, LIABILITIES AND CAPITAL

As of January 31, 2002

|              |   |
|--------------|---|
| Assets:      | Investments, at value (identified cost--\$482,283,396) .....            |
|              | Cash .....  |
|              | Receivables:  |
|              | Interest .....  |
|              | Securities sold .....   |
|              | Variation margin .....  |
|              | Prepaid expenses and other assets .....                                 |
|              | Total assets .....  |
| Liabilities: | Payables:   |
|              | Dividends to shareholders .....   |
|              | Investment adviser .....  |
|              | Accrued expenses .....  |
|              | Total liabilities .....   |
| Net Assets:  | Net assets .....  |
| Capital:     | Capital Stock (200,000,000 shares authorized):                          |
|              | Preferred Stock, par value \$.10 per share (8,120 shares of AMPS* ..... |

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|  |  |
|--|--|
| issued and outstanding at \$25,000 per share liquidation preference) .....                           |  |
| Common Stock, par value \$.10 per share (21,038,614 shares issued and outstanding) .....             |  |
| Paid-in capital in excess of par .....   |  |
| Undistributed investment income--net .....   |  |
| Accumulated realized capital losses on investments--net .....  |  |
| Unrealized appreciation on investments--net .....  |  |
| Total--Equivalent to \$14.47 net asset value per share of Common Stock (market price--\$13.95) ..... |  |
| Total capital .....  |  |

\* Auction Market Preferred Stock.

See Notes to Financial Statements.

STATEMENT OF OPERATIONS

For the Six Months Ended January 31, 2002

|  |  |              |
|--|--|--------------|
| Investment Income:                                     | Interest .....   |              |
| Expenses:  | Investment advisory fees .....                           | \$ 1,412,937 |
|  | Commission fees .....                                    | 257,556      |
|  | Accounting services .....                                | 87,535       |
|  | Reorganization expenses .....                            | 74,780       |
|  | Professional fees .....                                  | 48,826       |
|  | Transfer agent fees .....                                | 32,849       |
|  | Printing and shareholder reports .....                   | 18,137       |
|  | Custodian fees .....                                     | 18,016       |
|  | Listing fees .....                                       | 17,443       |
|  | Directors' fees and expenses .....                       | 15,056       |
|  | Pricing fees .....                                       | 11,306       |
|  | Other .....  | 21,289       |
|  | Total expenses before reimbursement .....                | 2,015,730    |
|  | Reimbursement of expenses .....                          | (117,154)    |
|  | Total expenses after reimbursement .....                 |              |
|  | Investment income--net .....                             |              |
| Realized & Unrealized Gain (Loss) On Investments--Net: | Realized gain on investments--net .....                  |              |
|  | Change in unrealized appreciation on investments--net .. |              |
|  | Net Increase in Net Assets Resulting from Operations ... |              |

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

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|                                    |  |
|------------------------------------|--|
| Increase (Decrease) in Net Assets: |  |
| =====                              |  |
| Operations:                        | Investment income--net .....   |
|                                    | Realized gain (loss) on investments--net .....   |
|                                    | Change in unrealized appreciation/depreciation on investments--net .....                 |
|                                    | Net increase in net assets resulting from operations .....                               |
| =====                              |  |
| Dividends to Shareholders:         | Investment income--net:  |
|                                    | Common Stock .....   |
|                                    | Preferred Stock .....  |
|                                    | Net decrease in net assets resulting from dividends to shareholders .....                |
| =====                              |  |
| Capital Stock Transactions:        | Proceeds from issuance of Common Stock resulting from reorganization .....               |
|                                    | Proceeds from issuance of Preferred Stock resulting from reorganization .....            |
|                                    | Offering costs resulting from the initial issuance of Common Stock .....                 |
|                                    | Write-off of offering costs resulting from the initial issuance of Preferred Stock ..... |
|                                    | Net increase in net assets derived from capital stock transactions .....                 |
| =====                              |  |
| Net Assets:                        | Total increase (decrease) in net assets .....  |
|                                    | Beginning of period .....  |
|                                    | End of period* .....   |
| =====                              |  |
|                                    | * Undistributed investment income--net .....   |
| =====                              |  |

See Notes to Financial Statements.

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MuniHoldings New Jersey Insured Fund, Inc., January 31, 2002

FINANCIAL HIGHLIGHTS

|  |  |   |  |
|--|--|---|--|
| The following per share data and ratios have been derived from information provided in the financial statements. |  | For the Six Months Ended January 31, 2002 | For the Six Months Ended June 30, 2001 |
| Increase (Decrease) in Net Asset Value:  |  | -----                                     | -----                                  |
| Per Share  | Net asset value, beginning of period ..... | \$ 14.54                                  | \$ 13.14                               |

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|   |   |          |          |       |
|---|---|----------|----------|-------|
| Operating Performance:                              |   | -----    | -----    | ----- |
|   | Investment income--net .....  | .54      | 1.08     |       |
|   | Realized and unrealized gain (loss) on investments--net .....                     | (.09)    | 1.39     |       |
|   | Total from investment operations .....  | .45      | 2.47     |       |
|   | Less dividends and distributions to Common Stock shareholders:                    |          |          |       |
|   | Investment income--net .....  | (.43)    | (.73)    |       |
|   | Realized gain on investments--net .....   | --       | --       |       |
|   | In excess of realized gain on investments--net .....                              | --       | --       |       |
|   | Total dividends and distributions to Common Stock shareholders .....              | (.43)    | (.73)    |       |
|   | Capital charge resulting from issuance of Common Stock .....                      | --       | --@      |       |
|   | Effect of Preferred Stock:  |          |          |       |
|   | Dividends and distributions to Preferred Stock shareholders:                      |          |          |       |
|   | Investment income--net .....  | (.09)    | (.34)    |       |
|   | Realized gain on investments--net .....   | --       | --       |       |
|   | Capital write-off (charge) resulting from issuance of Preferred Stock .....       | --       | --@      |       |
|   | Total effect of Preferred Stock .....   | (.09)    | (.34)    |       |
|   | Net asset value, end of period .....  | \$ 14.47 | \$ 14.54 | \$    |
|   | Market price per share, end of period .....                                       | \$ 13.95 | \$ 12.64 | \$1   |
| =====   |   |          |          |       |
| Total Investment Return:**                          | Based on market price per share .....   | 13.88%@  | 14.60%   |       |
|   | Based on net asset value per share .....  | 2.69%@   | 17.26%   |       |
| =====   |   |          |          |       |
| Ratios Based on Average Net Assets of Common Stock: | Total expenses, net of reimbursement and excluding reorganization expenses*** ... | 1.18%*   | 1.18%    |       |
|   | Total expenses, net of reimbursement*** ....                                      | 1.23%*   | 1.18%    |       |
|   | Total expenses*** .....   | 1.30%*   | 1.29%    |       |
|   | Total investment income--net*** .....   | 7.23%*   | 7.72%    |       |
|   | Amount of dividends to Preferred Stock shareholders .....                         | 1.18%*   | 2.43%    |       |
|   | Investment income--net, to Common Stock shareholders .....                        | 6.04%*   | 5.29%    |       |
| =====   |   |          |          |       |
| Ratios Based on Total Average Net Assets:***+++     | Total expenses, net of reimbursement and excluding reorganization expenses .....  | .71%*    | .69%     |       |
|   | Total expenses, net of reimbursement .....  | .74%*    | .69%     |       |
|   | Total expenses .....  | .78%*    | .76%     |       |



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|   |   |           |           |     |
|---|---|-----------|-----------|-----|
|   | Total investment income--net .....  | 4.35%*    | 4.53%     |     |
| =====   |   |           |           |     |
| Ratios Based on<br>Average Net<br>Assets of<br>Preferred Stock: | Dividends to Preferred Stock shareholders ..                              | 1.79%*    | 3.46%     |     |
| =====   |   |           |           |     |
| Supplemental<br>Data:   | Net assets, net of Preferred Stock,<br>end of period (in thousands) ..... | \$304,343 | \$305,913 | \$2 |
|   | Preferred Stock outstanding,<br>end of period (in thousands) .....        | \$203,000 | \$203,000 | \$1 |
|   | Portfolio turnover .....  | 12.57%    | 55.60%    | 1   |
| =====   |   |           |           |     |
| Leverage:   | Asset coverage per \$1,000 .....  | \$ 2,499  | \$ 2,507  | \$  |
| =====   |   |           |           |     |
| Dividends Per<br>Share On<br>Preferred Stock<br>Outstanding:++  | Series A--Investment income--net .....                                    | \$ 211    | \$ 830    | \$  |
|   | Series B--Investment income--net .....                                    | \$ 228    | \$ 872    | \$  |
|   | Series C--Investment income--net .....                                    | \$ 235    | \$ 871    | \$  |
|   | Series D--Investment income--net .....                                    | \$ 215    | \$ 901    | \$  |
|   | Series E--Investment income--net .....                                    | \$ 235    | \$ 310    | \$  |
| =====   |   |           |           |     |

\* 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 charges.

\*\*\* Includes Common and Preferred Stock average net assets.

+ Commencement of operations.

++ The Fund's Preferred Stock was issued on October 19, 1998 (Series A and B), March 6, 2000 (Series C and D), and March 5, 2001 (Series E).

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

@ Aggregate total investment return.

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

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:

MuniHoldings New Jersey 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's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which may require the use of management accruals and estimates. 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

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Stock on a weekly basis. The Fund's Common Stock is listed on the New York Stock Exchange under the symbol MUJ. 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 written or purchased are valued at the last sale price in the case of exchange-traded options. In the case of options traded in the over-the-counter market, valuation is the last asked price (options written) or the last bid price (options purchased). 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

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MuniHoldings New Jersey Insured Fund, Inc., January 31, 2002

### NOTES TO FINANCIAL STATEMENTS (concluded)

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 investment strategies to increase or decrease the level of risk to which the Fund is exposed more quickly and efficiently than transactions in other types of instruments. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

o Financial futures contracts--The Fund may purchase or sell financial 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.

o Options--The Fund is authorized to write covered call options and purchase call and 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

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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). Realized gains and losses on security transactions are determined on the identified cost basis. Interest income is recognized on the accrual basis.

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

(f) Offering expenses--During the year ended July 31, 2001, underestimated offering expenses resulting from the initial issuance of Common Stock and overestimated offering expenses resulting from the initial issuance of Preferred Stock were charged to and written off to paid-in capital in excess of par, respectively.

### 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 .55% of the Fund's average weekly net assets, including proceeds from the issuance of Preferred Stock. For the six months ended January 31, 2002, FAM earned fees of \$1,412,937, of which \$117,154 was waived.

For the six months ended January 31, 2002, the Fund reimbursed FAM \$11,302 for certain accounting services.

Certain officers and/or directors of the Fund are officers and/or directors of FAM, PSI, and/or ML & Co.

### 3. Investments:

Purchases and sales of investments, excluding short-term securities, for the six months ended January 31, 2002 were \$62,786,540 and \$73,641,161, respectively.

Net realized gains for the six months ended January 31, 2002 and net unrealized gains as of January 31, 2002 were as follows:

|                                   | Realized<br>Gains | Unrealized<br>Gains |
|-----------------------------------|-------------------|---------------------|
| Long-term investments .....       | \$1,265,977       | \$18,811,608        |
| Financial futures contracts ..... | --                | 113,828             |
| Total .....                       | \$1,265,977       | \$18,925,436        |
|                                   | =====             | =====               |

As of January 31, 2002, net unrealized appreciation for Federal income tax purposes aggregated \$18,811,608, of which \$19,186,861 related to appreciated securities and \$375,253 related to depreciated securities. The aggregate cost of investments at January 31, 2002 for Federal income tax purposes was \$482,283,396.

#### 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

Shares issued and outstanding during the six months ended January 31, 2002 remained constant and during the year ended July 31, 2001 increased by 3,221,459 as a result of reorganization.

##### Preferred Stock

Auction Market Preferred Stock ("AMPS") are shares of Preferred Stock of the Fund, with a par value of \$.10 per share and a liquidation preference of \$25,000 per share, 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 January 31, 2002 were Series A, 1.40%; Series B, 1%; Series C, 1.40%; Series D, .94% and Series E, 1.10%.

Shares issued and outstanding during the six months ended January 31, 2002 remained constant and during the year ended July 31, 2001 increased by 1,120 as a result of reorganization.

The Fund pays commissions to certain broker-dealers at the end of each auction at an annual rate ranging from .25% to .375%, calculated on the proceeds of each auction. For the six months ended January 31, 2002, Merrill Lynch, Pierce, Fenner & Smith Incorporated, an affiliate of FAM, earned \$142,186 as commissions.

#### 5. Capital Loss Carryforward:

At July 31, 2001, the Fund had a net capital loss carryforward of approximately \$35,967,000, of which \$3,352,000 expires in 2006, \$4,023,000 expires in 2007, \$1,794,000 expires in 2008 and \$26,798,000 expires in 2009. This amount will be available to offset like amounts of any future taxable gains.

#### 6. Subsequent Event:

On February 7, 2002, the Fund's Board of Directors declared an ordinary income dividend to Common Stock shareholders in the amount of \$.073000 per share, payable on February 27, 2002 to shareholders of record as of February 15, 2002.

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The Fund's dividend policy is to distribute all or a portion of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more consistent yield to the current trading price of shares of Common Stock of the Fund, the Fund may at times pay out less than the entire amount of net investment income earned in any particular month and may at times in any particular month pay out such accumulated but undistributed income in addition to net investment income earned in that month. As a result, the dividends paid by the Fund for any particular month may be more or less than the amount of net investment income earned by the Fund during such month. The Fund's current accumulated but undistributed net investment income, if any, is disclosed in the Statement of Assets, Liabilities and Capital, which comprises part of the financial information included in this report.

### OFFICERS AND DIRECTORS

Terry K. Glenn, President and Director  
Ronald W. Forbes, Director  
Cynthia A. Montgomery, Director  
Charles C. Reilly, Director  
Kevin A. Ryan, Director  
Roscoe S. Suddarth, Director  
Richard R. West, Director  
Edward D. Zinbarg, Director  
Kenneth A. Jacob, Senior Vice President  
John M. Loffredo, Senior Vice President  
Robert D. Sneed, Vice President  
Donald C. Burke, Vice President and Treasurer  
Alice A. Pellegrino, Secretary

Vincent R. Giordano, Senior Vice President of MuniHoldings New Jersey Insured Fund, Inc., has recently retired. The Fund's Board of Directors wishes Mr. Giordano well in his retirement.

### Custodian

The Bank of New York  
90 Washington Street  
New York, NY 10286

### Transfer Agents

#### Common Stock:

The Bank of New York  
101 Barclay Street  
New York, NY 10286

#### Preferred Stock:

The Bank of New York  
100 Church Street  
New York, NY 10286

### NYSE Symbol

MUJ

[GRAPHIC OMITTED]

MuniHoldings New Jersey Insured Fund, Inc. seeks to provide shareholders with current income exempt from Federal income tax and New Jersey personal income taxes by investing 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 tax and New Jersey personal income taxes.

This report, including the financial information herein, is transmitted to shareholders of MuniHoldings New Jersey Insured Fund, Inc. for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. The Fund has leveraged its Common Stock and intends to remain leveraged by issuing Preferred Stock to provide the Common Stock shareholders with a potentially higher rate of return. Leverage creates risks for Common Stock shareholders, including the likelihood of greater volatility of net asset value and market price of shares of the Common Stock, and the risk that fluctuations in the short-term dividend rates of the Preferred Stock may affect the yield to Common Stock shareholders. Statements and other information herein are as dated and are subject to change.

MuniHoldings New Jersey Insured Fund, Inc.  
Box 9011  
Princeton, NJ  
08543-9011

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