

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

MUNIHOLDINGS NEW JERSEY INSURED FUND INC

Form N-CSR

October 04, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number 811-8621

Name of Fund: MuniHoldings New Jersey Insured Fund, Inc.

Fund Address: P.O. Box 9011  
Princeton, NJ 08543-9011

Name and address of agent for service: Terry K. Glenn, President, MuniHoldings  
New Jersey Insured Fund, Inc., 800 Scudders Mill Road, Plainsboro, NJ  
08536. Mailing address: P.O. Box 9011, Princeton, NJ 08543-9011

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 07/31/04

Date of reporting period: 08/01/03 - 07/31/04

Item 1 - Report to Stockholders

[LOGO] Merrill Lynch Investment Managers

[www.mlim.ml.com](http://www.mlim.ml.com)

MuniHoldings New Jersey  
Insured Fund, Inc.

Annual Report  
July 31, 2004

[LOGO] Merrill Lynch Investment Managers

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, net of dividends to Preferred Stock, 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

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

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 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. As of July 31, 2004, the percentage of the Fund's total net assets invested in inverse floaters was 3.86%, before the deduction of Preferred Stock.

### Swap Agreements

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 or reduce exposure to a bond or market without owning or taking physical custody of securities. Swap agreements involve the risk that the party with whom the Fund has entered into the swap will default on its obligation to pay the Fund and the risk that the Fund will not be able to meet its obligations to pay the other party to the agreement.

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

Dear Shareholder

In recent months, the Federal Reserve Board (the Fed) has taken center stage as it shifts away from its long-accommodative monetary stance. In a much-anticipated move, the Fed raised the Federal Funds rate 25 basis points (.25%) on June 30, representing the first interest rate increase in four years. Shortly after period-end, the Fed announced an additional 25 basis point rate hike, bringing the target short-term interest rate to 1.50% -- still low by historical standards. The Fed has been very deliberate in telegraphing its intention to take a "measured" approach to the interest rate increases so as to avoid upsetting the economy or the financial markets. Still, the Fed has stated that it may move more aggressively if inflation and economic growth accelerate more than anticipated. In addition to the Fed policy change, the financial markets recently have had to grapple with a tense geopolitical environment, higher oil prices and the worry and anticipation that accompanies a presidential election.

While inflation has moved up on a cyclical basis, this is an indication that the Fed has been successful in avoiding deflation -- just as it set out to do a year ago. The challenge now is to normalize interest rates in order to keep inflation within acceptable limits. The futures curve currently projects further increases in short-term interest rates before year-end.

The transition to higher rates can cause concern among equity and fixed income investors alike. For bond investors, rising rates means the value of older issues declines because they bear the former lower rates. In addition, increasing inflation erodes the purchasing power of fixed income securities. But because municipal bonds offer the advantage of tax-exempt income, they continue to be an attractive alternative for many fixed income investors. For the six-month and 12-month periods ended July 31, 2004, municipal bonds posted returns of +.06% and +5.79%, respectively, as measured by the Lehman Brothers Municipal Bond Index.

As always, our investment professionals are closely monitoring the markets, the economy and the overall environment in an effort to make well-informed decisions for the portfolios they manage. Our goal is to provide shareholders with competitive returns, while always keeping one eye on managing the unavoidable risk inherent in investing.

We thank you for trusting Merrill Lynch Investment Managers with your investment assets, and we look forward to serving you in the months and years ahead.

Sincerely,

/s/ Terry K. Glenn

Terry K. Glenn  
President and Director

MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.

JULY 31, 2004

3

[LOGO] Merrill Lynch Investment Managers

A Discussion With Your Fund's Portfolio Manager

The Fund provided an attractive total return and competitive yields for the year, outperforming its peer group as well as the broader municipal bond market.

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

Discuss the recent market environment relative to municipal bonds.

Over the past 12 months, long-term U.S. Treasury bond yields were little changed, despite considerable month-to-month volatility. For example, long-term U.S. Treasury bond yields fell to 4.65% by mid-March 2004 before rising to over 5.50% by early June. Much of the volatility was prompted by investor anticipation of Federal Reserve Board (the Fed) action. The Fed seemed poised to maintain rates at their historic lows early in the period so as to avoid derailing the economic recovery, but later appeared more apt to increase interest rates as job growth finally picked up.

On June 30, the Fed raised its short-term interest rate target for the first time in four years -- from 1% to 1.25%. In doing so, the Fed indicated a tendency toward a measured, moderate monetary tightening cycle, which helped support higher bond prices (and lower yields). By the end of July 2004, long-term U.S. Treasury bond yields stood at 5.20%, a decline of 10 basis points (.10%) over the past year. The 10-year U.S. Treasury note yield ended the period at 4.48%, an increase of less than 10 basis points during the past 12 months.

Tax-exempt issues experienced less volatility than their taxable counterparts. Long-term revenue bond yields, as measured by the Bond Buyer Revenue Bond Index, fell approximately 10 basis points over the last year to 5.31%. According to Municipal Market Data, yields on AAA-rated issues maturing in 30 years declined more than 15 basis points to 4.90% at July 31, while yields on 10-year AAA-rated issues fell more than 25 basis points to 3.79%.

Declining supply trends allowed tax-exempt bond prices to register modest gains. During the past 12 months, more than \$360 billion in new long-term tax-exempt bonds was underwritten, a decline of approximately 8% versus last year. Approximately \$100 billion in long-term tax-exempt bonds was issued in the last three months of the period, a decline of more than 15% compared to the same period a year ago.

Describe conditions in the State of New Jersey.

New Jersey's economy continues to improve, mirroring the broad-based recovery evident throughout much of the country. Labor market trends indicate rising job creation across various industries as the jobless rate remains near a three-year low.

While tax revenues have exceeded initial projections, the fiscal year 2005 budget remains structurally out of balance, reflecting an increased reliance on one-time revenue enhancements. In an effort to plug the gap in the \$28 billion budget, the state government proposed the issuance late this summer of up to \$2.7 billion in state contract bonds secured by increased cigarette taxes and motor vehicle surcharges. Despite a Republican-led challenge to the proposal's constitutionality on the grounds that it violates the state's debt limitation clause and its balanced budget act, the New Jersey Supreme Court upheld the plan, allowing the stopgap financing to proceed. In response, all three credit-ratings agencies downgraded their view on the state's general obligation debt. Currently, New Jersey is assigned credit ratings of AA- by Fitch Ratings Service and Standard & Poor's and Aa3 by Moody's Investor Service.

Long-term municipal issuance in New Jersey over the past year totaled approximately \$10.03 billion, representing a 46% decline from the prior year's volume and a sharp contrast to the 8% drop for the nation. The decline is primarily attributed to the absence of tobacco settlement bonds, as issuance of these bonds in prior years served to inflate volume totals. Finally, shortly after the close of the period, the state's top government post was in question following a stunning resignation announcement by Governor James McGreevey. The governor's resignation becomes effective November 15, 2004.

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

How did the Fund perform during the fiscal year?

For the 12-month period ended July 31, 2004, the Common Stock of MuniHoldings New Jersey Insured Fund, Inc. had net annualized yields of 6.21% and 6.58%, based on a year-end per share net asset value of \$15.03 and a per share market price of \$14.17, respectively, and \$.933 per share income dividends. Over the same period, the total investment return on the Fund's Common Stock was +10.90%, based on a change in per share net asset value from \$14.46 to \$15.03, and assuming reinvestment of \$.930 per share ordinary income dividends.

The Fund's total return, based on net asset value, exceeded the +9.73% average return of the Lipper New Jersey Municipal Debt Funds category for the same 12-month period. (Funds in this Lipper category limit their investment to those securities exempt from taxation in the state of New Jersey.)

4 MUNIHOLDINGS NEW JERSEY INSURED FUND, INC. JULY 31, 2004

The Fund achieved favorable results despite maintaining a slightly defensive market posture for much of the year. There are two explanations for this. First, part of the defensive strategy entailed an above-benchmark weighting in intermediate-maturity bonds, reflecting our efforts to shorten the portfolio's duration. The intermediate maturity range performed quite well for the first eight months of the fiscal year in comparison to longer-dated bonds, thereby providing an important boost to Fund performance. Second, we maintained the portfolio's hedge positions throughout the year. Although the hedges hindered performance early in the year as interest rates unexpectedly declined, our adherence to the strategy paid off this spring as interest rates rose, allowing the Fund to recapture the bulk of the hedge-related losses and post more favorable performance results.

For the six-month period ended July 31, 2004, the total investment return on the Fund's Common Stock was -.22%, based on a change in per share net asset value from \$15.57 to \$15.03, and assuming reinvestment of \$.474 per share income dividends.

For the six-month period ended July 31, 2004, the Fund's Auction Market Preferred Stock (AMPS) had average yields as follows: Series A, .80%; Series B, .81%; Series C, .95%; Series D, .81%; and Series E, .77%.

For a description of the Fund's total investment return based on a change in the per share market value of the Fund's Common Stock (as measured by the trading price of the Fund's shares on the New York Stock Exchange), and assuming reinvestment of dividends, please refer to the Financial Highlights section of this report. As a closed-end fund, the Fund's shares may trade in the secondary market at a premium or discount to the Fund's net asset value. As a result, total investment returns based on changes in the market value of the Fund's Common Stock can vary significantly from total investment returns based on changes in the Fund's net asset value.

What changes were made to the portfolio during the year?

Given the rise in market rates this past spring, we removed the majority of our hedge positions and modestly restructured the portfolio. At the time, market rates appeared to be discounting stronger economic growth and a more aggressive Fed policy than seemed likely given the economic and geopolitical backdrop. We viewed this as an opportunity to abandon the Fund's defensive posture in anticipation of lower long-term interest rates.

In addition, the outperformance of the Fund's intermediate-maturity bonds



Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

			Sewer Authority, Sewer Revenue 5.50% due 1/01/2020 (b)
			-----
			Camden County, New Jersey, Impr Lease Revenue Bonds (c):
AAA	Aaa	1,540	5.50% due 9/01/2010 (e)
AAA	Aaa	2,635	5.375% due 9/01/2019
			-----
NR*	Aaa	430	Carteret, New Jersey, Board of due 1/15/2024 (d) (i)
			-----
AAA	Aaa	6,210	Casino Reinvestment Development Jersey, Parking Fee Revenue Bon due 10/01/2017 (c)
			-----
AAA	Aaa	2,500	Delaware River and Bay Authorit 5% due 1/01/2033 (d)
AAA	Aaa	2,005	Series A, 5.625% due 1/01/
			-----
A-	A2	4,630	Delaware River Joint Toll Bridg Jersey, Bridge Revenue Refundin due 7/01/2028
			-----
			Delaware River Port Authority o Jersey Revenue 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
AAA	Aaa	2,425	(Port District Project), due 1/01/2026
			-----
AAA	Aaa	7,895	East Orange, New Jersey, Board 5.50% due 8/01/2012 (c)
			-----
NR*	Aaa	1,000	East Orange, New Jersey, Water Refunding, 5.70% due 6/15/2022
			-----
NR*	Aaa	4,000	Essex County, New Jersey, Impro Lease Revenue Bonds (Correction 6% due 10/01/2025 (b)
			-----
AAA	Aaa	3,300	Essex County, New Jersey, Impro Lease Revenue Refunding Bonds (E House Project), 5.35% due 12/01/
			-----
NR*	Aaa	4,400	Essex County, New Jersey, Impro Revenue Bonds, Series A, 5% due
			-----
AAA	Aaa	2,705	Essex County, New Jersey, Impro Utility System Revenue Bonds (E 6% due 7/01/2018 (d)
			-----
			Garden State Preservation Trust Appreciation Revenue Bonds (c):
AAA	Aaa	9,000	Series B, 5.12%** due 11/
AAA	Aaa	10,000	Series B, 5.20%** due 11/
			-----
			Garden State Preservation Trust Space and Farmland Preservation Series A (c):

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

AAA	Aa3	1,960	5.80% due 11/01/2021
AAA	Aa3	2,730	5.80% due 11/01/2023
AAA	Aa3	9,160	5.75% due 11/01/2028
AAA	Aaa	1,500	Hoboken, New Jersey, Parking Authority Revenue Bonds, Series A, 5.30%
AAA	Aaa	765	Jersey City, New Jersey, GO, Revenue Bonds, Series A, 5.375% due 9/01/2023 (c)
AAA	Aaa	2,230	Jersey City, New Jersey, GO, Revenue Bonds, Series A, 5.375% due 9/01/2023 (c)
NR*	Aaa	5,250	Lafayette Yard, New Jersey, Commercial Revenue Bonds (Hotel/Conference Center--Trenton), 6% due 4/01/2025

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
RIB	Residual Interest Bonds

6 MUNIHOLDINGS NEW JERSEY INSURED FUND, INC. JULY 31, 2004

Schedule of Investments (continued) (in Thousands)

S&P Ratings+	Moody's Ratings+	Face Amount	Municipal Bonds
AAA	Aaa	\$ 1,000	Marlboro Township, New Jersey, GO, 5.25% due 7/15/2017 (c)
AAA	Aaa	1,550	Middlesex County, New Jersey, GO, 5.25% due 6/15/2023 (d)
AAA	Aaa	1,375	Middlesex County, New Jersey, GO, 5.25% due 8/01/2016 (d)
AAA	Aa1	3,970	Middlesex County, New Jersey, Lease Revenue Bonds (Educational Projects): 5.70% due 7/15/2020
AAA	Aa1	5,270	6% due 7/15/2025
AAA	Aaa	500	Middlesex County, New Jersey, Lease Revenue Bonds (Senior Citizens)



Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

			5.50% due 9/01/2030 (a)
			Monmouth County, New Jersey, Im Revenue Refunding 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, Mu Authority, Middlesex County Rev 5.25% due 2/01/2016 (b)
AAA	Aaa	2,304	Mount Laurel Township, New Jers Education, GO, 5.60% due 8/01/2
AAA	Aaa	2,000	Newark, New Jersey, Housing Aut Authority--Port Newark Marine T Rent-Backed Revenue Bonds (City Redevelopment Projects), 5% due
AAA	Aaa	5,000	New Jersey EDA, Lease Revenue B Medicine and Dentistry--Interna Public Health Project), 6% due
AAA	Aaa	18,920	New Jersey EDA, Natural Gas Fac Refunding Bonds, AMT (d): (NUI Corporation Projects 5.70% due 6/01/2032
NR*	Aaa	3,155	RIB, AMT, Series 161, 10.
AAA	Aaa	1,430	New Jersey EDA, Parking Facilit (Elizabeth Development Company 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, D 10.651% due 5/01/2016 (c) (f)
AAA	Aaa	7,000	New Jersey EDA, School Faciliti Revenue Bonds, Series A (a): 5.25% due 6/15/2017
AAA	Aaa	7,200	5.25% due 6/15/2018
BBB	NR	2,500	New Jersey EDA, Solid Waste Dis Revenue Bonds (Waste Management 5.30% due 6/01/2015
AAA	Aaa	3,000	New Jersey EDA, State Lease Rev Office Buildings Projects) (a): 6% due 6/15/2015
AAA	Aaa	4,620	6.25% due 6/15/2020
AAA	Aaa	8,135	New Jersey EDA, Water Facilitie Bonds (American Water), AMT, Se due 4/01/2022 (a)
AAA	Aaa	2,820	New Jersey Health Care Faciliti Revenue Bonds: (Society of the Valley Ho due 7/01/2025 (a)
NR*	Baa2	3,135	(Somerset Medical Center)
			New Jersey Health Care Faciliti

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

AAA	Aaa	4,000	Authority, Revenue Refunding Bonds (AHS Hospital Corporation) due 7/01/2013 (a)
A	A2	1,455	(Atlantic City Medical Center) due 7/01/2017
A	A2	3,500	(Atlantic City Medical Center) due 7/01/2025
BBB+	NR*	1,775	(Holy Name Hospital), 6%
AAA	Aaa	1,000	(Meridian Health System) 5.375% due 7/01/2024 (c)
NR*	Baa1	5,440	(South Jersey Hospital),
-----			
AAA	Aaa	2,000	New Jersey Sports and Exposition Tax Revenue Refunding Bonds (Capital Improvement) 5.50% due 3/01/2021
AAA	Aaa	1,000	5.50% due 3/01/2022
-----			
AAA	Aaa	2,400	New Jersey Sports and Exposition Contract Revenue Bonds, Series

MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.

JULY 31, 2004

7

[LOGO] Merrill Lynch Investment Managers

Schedule of Investments (continued)

(in Thousands)

S&P Ratings+	Moody's Ratings+	Face Amount	Municipal Bonds
=====			
New Jersey (continued)			
-----			
AAA	Aaa	\$ 7,500	New Jersey State Educational Finance Authority Higher Education, Capital Improvement Series A, 5.125% due 9/01/2022
-----			
New Jersey State Educational Finance Authority Revenue Bonds:			
AAA	Aaa	8,905	(Capital Improvement Fund) due 9/01/2017 (c)
AAA	Aaa	9,420	(Capital Improvement Fund) due 9/01/2018 (c)
AAA	Aaa	3,615	(Rowan University), Series due 7/01/2028 (d)
AAA	Aaa	3,260	(Rowan University), Series due 7/01/2034 (d)
-----			
New Jersey State Educational Finance Authority Revenue Refunding Bonds:			
AAA	Aaa	7,000	(Montclair State University) due 7/01/2034 (d)
AAA	Aaa	2,375	(Rowan University), Series due 7/01/2017 (b)
AAA	Aaa	2,820	(Rowan University), Series due 7/01/2018 (b)
AAA	Aaa	2,635	(Rowan University), Series due 7/01/2019 (b)

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

AAA	Aaa	4,000	(University of Medicine a B, 5.25% due 12/01/2017 (
-----			
AAA	Aaa	3,200	New Jersey State Highway Author Parkway, General Revenue Refund 5.75% due 1/01/2010 (b)
AAA	Aaa	3,085	Senior Parkway, 5.25% due
-----			
AAA	Aaa	820	New Jersey State Housing and Mo Home Buyer Revenue Bonds (d): AMT, Series M, 6.95% due
AAA	Aaa	1,000	AMT, Series U, 5.60% due
AAA	Aaa	2,820	AMT, Series U, 5.65% due
AAA	Aaa	3,000	AMT, Series U, 5.75% due
AAA	Aaa	1,995	AMT, Series U, 5.85% due
AAA	Aaa	1,775	Series L, 6.65% due 10/01
-----			
AAA	Aaa	2,440	New Jersey State Housing and Mo Home Buyer Revenue Refunding Bo 5.95% due 10/01/2017 (d)
-----			
AAA	Aaa	5,000	New Jersey State Transit Corpor Transit Administration Grants), due 9/15/2009 (a) (e)
-----			
AAA	A1	7,500	New Jersey State Transportation Transportation System Revenue B Series A, 6% due 6/15/201
AAA	Aaa	2,000	Series A, 5% due 6/15/201
AAA	NR*	10,000	Series B, 5.25% due 6/15/
A+	A1	12,600	Series C, 5.50% due 6/15/
-----			
AAA	Aaa	15,075	New Jersey State Transportation Transportation System Revenue R B, 6% due 12/15/2011 (d) (e)
-----			
AAA	Aaa	20,000	New Jersey State Turnpike Autho Refunding Bonds (d): Series A, 5.75% due 1/01/
AAA	Aaa	1,165	Series C, 6.50% due 1/01/
AAA	Aaa	4,355	Series C, 6.50% due 1/01/
-----			
NR*	Aaa	1,250	North Bergen Township, New Jers Education, COP (c): 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
-----			
NR*	Aaa	3,035	Orange Township, New Jersey, Mu Lease, GO, Refunding, Series C, due 12/01/2017 (d)

8

MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.

JULY 31, 2004

Schedule of Investments (continued)

(in Thousands)

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

	S&P Ratings+	Moody's Ratings+	Face Amount	Municipal Bonds
=====				
New Jersey (concluded)				
-----				
				Passaic County, New Jersey, GO,
	NR*	Aaa	\$ 2,360	5.25% due 6/01/2015
	NR*	Aaa	2,350	5.25% due 6/01/2016
-----				
				Paterson, New Jersey, Public Sc
				COP (d):
	NR*	Aaa	1,980	6.125% due 11/01/2015
	NR*	Aaa	2,000	6.25% due 11/01/2019
-----				
	AAA	Aaa	4,750	Port Authority of New York and Consolidated Revenue Refunding Series, 5.50% due 9/15/2019 (b)
-----				
				Port Authority of New York and Obligation Revenue Bonds, AMT (
	AAA	NR*	2,375	DRIVERS, Series 192, 10.1
	NR*	Aaa	2,165	(JFK International Air Te
	AAA	Aaa	13,500	Series 157, 10.11% due 12/
	AAA	Aaa	1,500	(JFK International Air Te 6.25% due 12/01/2011 (JFK International Air Te 6.25% due 12/01/2015
-----				
				South Jersey Port Corporation o Refunding Bonds:
	A-	NR*	3,750	4.50% due 1/01/2015
	A-	NR*	1,920	4.50% due 1/01/2016
	A-	NR*	1,500	5% due 1/01/2026
	A-	NR*	2,000	5.10% due 1/01/2033
-----				
				Tobacco Settlement Financing Co Jersey Revenue Bonds:
	BBB	Baa3	7,640	6.75% due 6/01/2039
	BBB	Baa3	5,000	7% due 6/01/2041
-----				
	AAA	Aaa	4,325	Trenton, New Jersey, Parking Au Revenue Bonds, DRIVERS, Series due 4/01/2010 (b) (e) (f)
-----				
	AAA	Aaa	4,740	University of Medicine and Dent Revenue Bonds, Series A, 5.50%
-----				
	NR*	Aaa	17,135	West Deptford Township, New Jer due 9/01/2010 (e)
-----				
				West Orange, New Jersey, Board
	NR*	Aaa	2,040	5.75% due 10/01/2014
	NR*	Aaa	3,615	6% due 10/01/2024
=====				
Puerto Rico--9.2%				
-----				
	AAA	Aaa	4,500	Puerto Rico Commonwealth Highwa Authority, Transportation Reven Series J, 5% due 7/01/2029 (d)
-----				
				Puerto Rico Electric Power Auth



Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

Net unrealized appreciation .....	----- \$ 30,810 =====
-----------------------------------	-----------------------------

- (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 July 31, 2004.
- (g) Escrowed to maturity.
- (h) Investments in companies considered to be an affiliate of the Fund (such companies are defined as "Affiliated Companies" in Section 2(a)(3) of the Investment Company Act of 1940) were as follows:

(in Thousands)

Affiliate	Net Activity	Dividend Income
CMA New Jersey Municipal Money Fund	(861)	\$37

- (i) All or a portion of security held as collateral in connection with closed financial futures contracts.

Forward interest rate swaps outstanding as of July 31, 2004 were as follows:

(in Thousands)

	Notional Amount	Unrealized Depreciation
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 4.385%  Broker, J.P. Morgan Chase Bank Expires November 2018	\$ 4,210	\$ (158)
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 4.625%  Broker, J.P. Morgan Chase Bank Expires November 2028	\$ 8,905	(392)
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 4.5425%  Broker, Morgan Stanley Capital Services Inc. Expires September 2024	\$20,000	(584)
Total		\$ (1,134)

=====

See Notes to Financial Statements.

Quality Profile (unaudited)

The quality ratings of securities in the Fund as of July 31, 2004 were as follows:

S&P Rating/Moody's Rating	Percent of Total Investments
AAA/Aaa .....	88.9%
AA/Aa .....	0.4
A/A .....	6.1
BBB/Baa .....	4.6

10 MUNIHOLDINGS NEW JERSEY INSURED FUND, INC. JULY 31, 2004

Statement of Net Assets

As of July 31, 2004

=====

Assets

-----

Investments in unaffiliated securities, at value (identified cost--\$498,743,191) .....	
Investments in affiliated securities, at value (identified cost--\$147,658) .....	
Cash .....	
Receivables:	
Interest .....	\$
Dividends from affiliates .....	-----
Prepaid expenses .....	
Total assets .....	

-----

Liabilities

-----

Unrealized depreciation on forward interest rate swaps .....	
Payables:	
Securities purchased .....	1
Investment adviser .....	
Dividends to Common Stock shareholders .....	
Other affiliates .....	-----
Accrued expenses .....	
Total liabilities .....	

-----

Preferred Stock

-----

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

Preferred Stock, at redemption value, par value \$.10 per share  
 (1,360 Series A Shares, 1,360 Series B Shares, 2,400 Series C  
 Shares, 1,880 Series D Shares and 1,120 Series E Shares of  
 AMPS\* authorized, issued and outstanding at \$25,000 per share  
 liquidation preference) .....

=====  
 Net Assets Applicable to Common Stock  
 -----

Net assets applicable to Common Stock .....

=====  
 Analysis of Net Assets Applicable to Common Stock  
 -----

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 ..... (3  
 Unrealized appreciation on investments--net ..... 2  
 -----  
 Total accumulated losses--net .....  
 Total--Equivalent to \$15.03 net asset value per share of Common  
 Stock (market price--\$14.17) .....

\* Auction Market Preferred Stock.  
 See Notes to Financial Statements.

MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.                      JULY 31, 2004                      11

[LOGO] Merrill Lynch Investment Managers

Statement of Operations

For the Year Ended July 31, 2004

=====  
 Investment Income  
 -----

Interest .....  
 Dividends from affiliates .....  
 Total income .....

=====  
 Expenses  
 -----

Investment advisory fees ..... \$  
 Commission fees .....  
 Accounting services .....  
 Transfer agent fees .....  
 Professional fees .....  
 Printing and shareholder reports .....  
 Directors' fees and expenses .....  
 Custodian fees .....



Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

Listing fees .....  
Pricing fees .....  
Other .....  
-----  
Total expenses before waiver and reimbursement .....  
Waiver and reimbursement of expenses .....  
-----  
Total expenses after waiver and reimbursement .....  
Investment income--net .....

=====  
Realized & Unrealized Gain (Loss) on Investments--Net  
-----

Realized loss from:  
Investments--net .....  
Futures contracts and forward interest rate swaps .....  
-----  
Change in unrealized appreciation/depreciation from:  
Investments--net ..... 1  
Forward interest rate swaps ..... (  
-----  
Total realized and unrealized gain--net .....

=====  
Dividends to Preferred Stock Shareholders  
-----

Investment income--net .....  
Net Increase in Net Assets Resulting from Operations .....

See Notes to Financial Statements.

12 MUNIHOLDINGS NEW JERSEY INSURED FUND, INC. JULY 31, 2004

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:  
=====

Operations  
-----

Investment income--net ..... \$ 2  
Realized loss on investments--net ..... 1  
Change in unrealized appreciation/depreciation on investments--net ..... (  
Dividends to Preferred Stock shareholders .....  
-----  
Net increase in net assets resulting from operations ..... 3  
-----

=====  
Dividends to Common Stock Shareholders  
-----

Investment income--net ..... (1

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

Net decrease in net assets resulting from dividends to Common Stock shareholders .....	(1)
---	-----

=====  
Net Assets Applicable to Common Stock  
=====

Total increase (decrease) in net assets applicable to Common Stock Beginning of year .....	1 30
End of year* .....	\$ 31
* Undistributed investment income--net .....	\$

See Notes to Financial Statements.

MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.                      JULY 31, 2004                      13

[LOGO] Merrill Lynch Investment Managers

Financial Highlights

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

	For the Year Ended		
Increase (Decrease) in Net Asset Value:	2004	2003	2002
<hr style="border-top: 1px dashed black;"/>			
<b>Per Share Operating Performance</b>			
<hr style="border-top: 1px dashed black;"/>			
Net asset value, beginning of year .....	\$ 14.46	\$ 14.90	\$ 14.46
Investment income--net .....	1.07+	1.08+	1.08+
Realized and unrealized gain (loss) on investments--net .....	.51	(.54)	.51
Dividends and distributions to Preferred Stock shareholders:			
Investment income--net .....	(.08)	(.09)	(.08)
Capital write-off resulting from issuance of Preferred Stock .....	--	--	--
Total from investment operations .....	1.50	.45	1.50
Less dividends to Common Stock shareholders from investment income--net .....	(.93)	(.89)	(.93)
Capital write-off resulting from issuance of Common Stock .....	--	--	--
Net asset value, end of year .....	\$ 15.03	\$ 14.46	\$ 14.46
Market price per share, end of year .....	\$ 14.17	\$ 13.59	\$ 13.59

=====  
Total Investment Return\*  
=====

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

Based on market price per share .....	11.24%	1.61%	2
Based on net asset value per share .....	10.90%	3.32%	

=====  
Ratios Based on Average Net Assets of Common Stock  
=====

Total expenses, net of waiver and reimbursement and excluding reorganization expenses** .....	1.13%	1.15%
Total expenses, net of waiver and reimbursement** .....	1.13%	1.15%
Total expenses** .....	1.21%	1.23%
Total investment income--net** .....	6.97%	7.05%
Amount of dividends to Preferred Stock shareholders .....	.54%	.61%
Investment income--net, to Common Stock shareholders .....	6.43%	6.44%

=====  
Ratios Based on Average Net Assets of Common & Preferred Stock\*\*  
=====

Total expenses, net of waiver and reimbursement and excluding reorganization expenses .....	.69%	.71%
Total expenses, net of waiver and reimbursement .....	.69%	.71%
Total expenses .....	.74%	.75%
Total investment income--net .....	4.26%	4.32%

14 MUNIHOLDINGS NEW JERSEY INSURED FUND, INC. JULY 31, 2004

Financial Highlights (concluded)

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

	For the Year		
	2004	2003	2002
Increase (Decrease) in Net Asset Value:			

=====  
Ratios Based on Average Net Assets of Preferred Stock  
=====

Dividends to Preferred Stock shareholders .....	.86%	.97%
---	------	------

=====  
Supplemental Data

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

Net assets applicable to Common Stock, end of year (in thousands) .....	\$316,171	\$304,126	\$313
Preferred Stock outstanding, end of year (in thousands) .....	\$203,000	\$203,000	\$203
Portfolio turnover .....	8.53%	28.89%	2
=====			
Leverage			
Asset coverage per \$1,000 .....	\$ 2,557	\$ 2,498	\$ 2
=====			
Dividends Per Share on Preferred Stock Outstanding++			
Series A--Investment income--net .....	\$ 206	\$ 233	\$
Series B--Investment income--net .....	\$ 210	\$ 240	\$
Series C--Investment income--net .....	\$ 235	\$ 247	\$
Series D--Investment income--net .....	\$ 210	\$ 240	\$
Series E--Investment income--net .....	\$ 197	\$ 247	\$
=====			

\* 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. If applicable, the Fund's Investment Adviser waived a portion of its management fee. Without such waiver, the Fund's performance would have been lower.

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

+ Based on average shares outstanding.

++ 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).

+++ Certain prior year amounts have been reclassified to conform to current year presentation.

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

See Notes to Financial Statements.

MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.

JULY 31, 2004

15

[LOGO] Merrill Lynch Investment Managers

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 amended, as a non-diversified, closed-end management investment company. The Fund's financial statements are prepared in conformity with U.S. generally accepted accounting principles, which may require the use of management accruals and estimates. Actual results may differ from these estimates. The Fund determines and makes available for publication the net asset value of its Common Stock on a daily basis. The Fund's Common Stock is

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

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 last available bid price in the over-the-counter market or on the basis of yield equivalents as obtained by the Fund's pricing service from one or more dealers that make markets in the 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). Swap agreements are valued by quoted fair values received daily by the Fund from the counterparty. Short-term investments with a remaining maturity 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 investment strategies both to increase the return of the Fund and to hedge, or protect, its exposure to interest rate movements and movements in the securities markets. 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. 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 may 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 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.

- o Forward interest rate swaps -- The Fund may enter into forward interest rate swaps. In a forward interest rate swap, the Fund and the counterparty agree to make periodic net payments on a specified notional contract amount, commencing on a specified future effective date, unless terminated

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

earlier. When the agreement is closed, the Fund records a realized gain or loss in an amount equal to the value of the agreement.

16 MUNIHOLDINGS NEW JERSEY INSURED FUND, INC. JULY 31, 2004

### Notes to Financial Statements (continued)

(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. Dividend income is recorded on the ex-dividend dates. Interest income is recognized on the accrual basis. The Fund amortizes all premiums and discounts on debt securities.

(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) Reclassification -- U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. Accordingly, during the current year, \$237 has been reclassified between accumulated net realized capital losses and undistributed net investment income as a result of permanent differences attributable to taxable ordinary income dividends received for tax purposes. This reclassification has no effect on net assets or net asset values 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 .55% of the Fund's average daily net assets, including proceeds from the issuance of Preferred Stock. For the year ended July 31, 2004, FAM earned fees of \$2,883,770, of which \$233,277 was waived. For the year ended July 31, 2004, FAM reimbursed the Fund in the amount of \$39,920.

For the year ended July 31, 2004, the Fund reimbursed FAM \$11,289 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 year ended July 31, 2004 were \$60,990,600 and \$43,674,306, respectively.

### 4. Stock Transactions:

The Fund is authorized to issue 200,000,000 shares of stock, including Preferred

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

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 stock without approval of holders of Common Stock.

### 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, plus accrued and unpaid dividends, 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 July 31, 2004 were as follows: Series A, .70%; Series B, 1.00%; Series C, 1.05%; Series D, 1.00% and Series E, .90%.

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 July 31, 2004, Merrill Lynch, Pierce, Fenner & Smith Incorporated, an affiliate of FAM, earned \$271,463 as commissions.

MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.                      JULY 31, 2004                      17

[LOGO] Merrill Lynch Investment Managers

### Notes to Financial Statements (concluded)

#### 5. Distributions to Shareholders:

The Fund paid a tax-exempt income dividend to holders of Common Stock in the amount of \$.079000 per share on August 30, 2004 to shareholders of record on August 16, 2004.

The tax character of distributions paid during the fiscal years ended July 31, 2004 and July 31, 2003 was as follows:

	7/31/2004	7/31/2003
Distributions paid from:		
Tax-exempt income .....	\$21,311,412	\$20,773,444
Total distributions .....	\$21,311,412	\$20,773,444
	=====	=====

As of July 31, 2004, the components of accumulated losses on a tax basis were as follows:

Undistributed tax-exempt income--net .....	\$ 5,729,012
Undistributed long-term capital gains--net .....	--
Total undistributed earnings--net .....	5,729,012
Capital loss carryforward .....	(33,729,752)*
Unrealized gains--net .....	25,813,599**
Total accumulated losses--net .....	\$ (2,187,141)

\* On July 31, 2004, the Fund had a net capital loss carryforward of \$33,729,752, of which \$2,713,832 expires in 2006, \$2,188,055 expires in 2007, \$1,794,104 expires in 2008, \$26,797,867 expires in 2009 and \$235,894 expires in 2011. This amount will be available to offset like amounts of

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

any future taxable gains.

\*\* The difference between book-basis and tax-basis net unrealized gains is attributable primarily to the tax deferral of losses on straddles, the difference between book and tax amortization methods for premiums and discounts on fixed income securities and the deferral of post-October capital losses for tax purposes.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors,  
MuniHoldings New Jersey Insured Fund, Inc.

We have audited the accompanying statement of net assets of MuniHoldings New Jersey Insured Fund, Inc., including the schedule of investments, as of July 31, 2004, 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of July 31, 2004, by correspondence with the custodian and others. 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 MuniHoldings New Jersey Insured Fund, Inc. at July 31, 2004, 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 the financial highlights for each of the indicated periods in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
September 10, 2004

18            MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.            JULY 31, 2004

Automatic Dividend Reinvestment Plan (unaudited)

The following description of the Fund's Automatic Dividend Reinvestment Plan (the "Plan") is sent to you annually as required by federal securities laws.

Pursuant to the Fund's Plan, unless a holder of Common Stock otherwise elects, all dividend and capital gains distributions will be automatically reinvested by The Bank of New York (the "Plan Agent"), as agent for shareholders in administering the Plan, in additional shares of Common Stock of the Fund. Holders of Common Stock who elect not to participate in the Plan will receive all distributions in cash paid by check mailed directly to the shareholder of record (or, if the shares are held in street or other nominee name then to such



## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

nominee) by The Bank of New York, as dividend paying agent. Such participants 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 The Bank of New York, 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 distribution.

Whenever the Fund declares an income dividend or capital gains distribution (collectively referred to as "dividends") payable either in shares or in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in shares of Common Stock. The shares will be 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 Common Stock from the Fund ("newly issued shares") or (ii) by purchase of outstanding shares of Common Stock on the open market ("open-market purchases") on the New York Stock Exchange or elsewhere. If on the payment date for the dividend, the net asset value per share of the Common Stock is equal to or less than the market price per share of the Common Stock plus estimated brokerage commissions (such conditions being referred to herein as "market premium"), the Plan Agent will invest the dividend amount in newly issued shares on behalf of the participant. The number of newly issued shares of Common Stock to be credited to the participant's account will be 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 will invest 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 will have 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. It is contemplated that the Fund will pay monthly income dividends. Therefore, the period during which open-market purchases can be made will exist only from the payment date on the dividend through the date before the next "ex-dividend" date, which typically will be approximately ten days. If, before the Plan Agent has completed its open-market purchases, the market price of a share of 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 acquisitions 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 will cease making open-market purchases and will invest the uninvested portion of the dividend amount in newly issued shares at the close of business on the last purchase date determined by dividing the uninvested portion of the dividend by the net asset value per share.

The Plan Agent maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the account, including information needed by shareholders for tax records. Shares in the account of each Plan participant will be held by the Plan Agent in non-certificated form in the name of the participant, and each shareholder's proxy will include 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

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

pursuant to the Plan in accordance with the instructions of the participants.

In the case of shareholders such as banks, brokers or nominees which hold shares of others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number

MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.

JULY 31, 2004

19

[LOGO] Merrill Lynch Investment Managers

Automatic Dividend Reinvestment Plan (unaudited) (concluded)

of shares certified from time to time by the record shareholders as representing the total amount registered in the record shareholder's name and held for the account of beneficial owners who are to participate in the Plan.

There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant will pay 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 will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends.

Shareholders participating in the Plan may receive benefits not available to shareholders not participating in the Plan. If the market price plus commissions of the Fund's shares is above the net asset value, participants in the Plan will receive shares of the Fund at less than they could otherwise purchase them and will 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 will 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 the Fund does not redeem shares, the price on resale may be more or less than the net asset value.

The value of shares acquired pursuant to the Plan will generally be excluded from gross income to the extent that the cash amount reinvested would be excluded from gross income. If, when the Fund's shares are trading at a premium over net asset value, the Fund issues shares pursuant to the Plan that have a greater fair market value than the amount of cash reinvested, it is possible that all or a portion of such discount (which may not exceed 5% of the fair market value of the Fund's shares) could be viewed as a taxable distribution. If the discount is viewed as a taxable distribution, it is also possible that the taxable character of this discount would be allocable to all the shareholders, including shareholders who do not participate in the Plan. Thus, shareholders who do not participate in the Plan might be required to report as ordinary income a portion of their distributions equal to their allocable share of the discount.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

All correspondence concerning the Plan should be directed to the Plan Agent at The Bank of New York, Church Street Station, P.O. Box 11258, New York, NY

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

10286-1258, Telephone: 800-432-8224.

20 MUNIHOLDINGS NEW JERSEY INSURED FUND, INC. JULY 31, 2004

Officers and Directors (unaudited)

Name	Address & Age	Position(s) Held with Fund	Length of Time Served	Principal Occupation(s) During Past 5 Years
=====				
Interested Director				
-----				
Terry K. Glenn*	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 63	President and Director	1999 to present and 1998 to present	President of the Merrill Lynch Investment Management L.P. ("MLIM")/Fund Asset Management, L.P. ("FAM")--Advised Funds since 1999; Chairman (Americas Region) of MLIM from 2000 to 2002; Executive Vice President of MLIM and FAM (which as used herein include their corporate predecessors from 1983 to 2002; President of FAM Distributors ("FAMD") from 1986 to 2002 and Director thereof from 1991 to 2002; Executive Vice President and Director of Princeton Services, Inc. ("Princeton Services") from 1989 to 2002; President of Princeton Administrators, L.P. from 1989 to 2002; Director of Financial Data Services since 1985.
-----				
* Mr. Glenn is a director, trustee or member of an advisory board of certain other funds or FAM acts as investment adviser. Mr. Glenn is an "interested person," as described in the Fund based on his present and former positions with MLIM, FAM, FAMD, Princeton Administrators, L.P. The Director's term is unlimited. Directors serve until their term expires or until December 31 of the year in which they turn 72. As Fund President, Mr. Glenn serves until the expiration of his term as Director.				
-----				
Independent Directors*				
-----				
Ronald W. Forbes	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 63	Director	1998 to present	Professor Emeritus of Finance, School of Business, State University of New York at Albany since 2000; and Professor thereof from 1989 to 2000; International Consultant, Urban Institute, Washington D.C. from 1995 to 1999.
-----				
Cynthia A. Montgomery	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 52	Director	1998 to present	Professor, Harvard Business School since 1989; Associate Professor, J.L. Kellogg Graduate School of Management, Northwestern University from 1985 to 1989; Associate Professor, Graduate School of Business Administration, University of Michigan from 1979 to 1985.
-----				
Kevin A. Ryan	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 71	Director	1998 to present	Founder and currently Director Emeritus of the Boston University Center for the Advancement of Ethics and Character and Director thereof from 1999 to 1999; Professor from 1982 to 1999 and currently Professor Emeritus of Education at Boston University; formerly on the teaching faculties of

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

The University of Chicago, Stanford University and Ohio State University.

Roscoe S. Suddarth	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 68	Director	2000 to present	President, Middle East Institute from 1995 to March 2001; Foreign Service Officer, United States Foreign Service from 1961 to 1995; Career Minister therefrom from 1989 to 1995; Deputy Inspector General, U.S. Department of State from 1991 to 1994; U.S. Ambassador to the Hashemite Kingdom of Jordan from 1987 to 1990.
Richard R. West	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 66	Director	1998 to present	Professor of Finance since 1984, Dean from 1984 to 1993 and currently Dean Emeritus, Leonard N. Stern School of Business Administration, New York University from 1994 to present; Professor of Finance thereof from 1982 to 1994.

MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.

JULY 31, 2004

21

[LOGO] Merrill Lynch Investment Managers

Officers and Directors (unaudited) (concluded)

Name	Address & Age	Position(s) Held with Fund	Length of Time Served	Principal Occupation(s) During Past 5 Years
Independent Directors* (concluded)				
Edward D. Zinbarg	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 69	Director	2000 to present	Self-employed financial consultant since 1994; Executive Vice President of The Prudential Insurance Company of America from 1988 to 1994; former Director of Prudential Reinsurance Company and former Trustee of the Prudential Foundation.

\* The Director's term is unlimited. Directors serve until their resignation, removal or the year in which they turn 72.

Name	Address & Age	Position(s) Held with Fund	Length of Time Served	Principal Occupation(s) During Past 5 Years
Fund Officers*				
Donald C. Burke	P.O. Box 9011 Princeton, NJ 08543-9011	Vice President and	1993 to present	First Vice President of MLIM and FAM since 1997; Senior Vice President and Treasurer of Princeton University since 1999; President of FAMD since 1999; Director of MLIM T

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

	Age: 44	Treasurer	1999 to present	
Kenneth A. Jacob	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 53	Senior Vice President	2002 to present	Managing Director of MLIM since 2000; Director (Management) of MLIM from 1997 to 2000.
John M. Loffredo	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 40	Senior Vice President	2002 to present	Managing Director of MLIM since 2000 and Director (Management) of MLIM from 1998 to 2000.
Theodore R. Jaeckel Jr.	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 44	Vice President	1998 to present	Director (Municipal Tax-Exempt Fund Management) Vice President of MLIM from 1994 to 2000.
Phillip S. Gillespie	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 40	Secretary	2003 to present	First Vice President of MLIM since 2001; Director 2000 to 2001; Vice President of MLIM from 1999 to MLIM since 1998.

\* Officers of the Fund serve at the pleasure of the Board of Directors.

### Custodian

The Bank of New York  
100 Church 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 Barclay Street -- 7 West  
New York, NY 10286

### NYSE Symbol

MUJ

22                      MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.                      JULY 31, 2004

### Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's Web site at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

the Public Reference Room may be obtained by calling 1-800-SEC-0330.

### Dividend Policy (unaudited)

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 stable level of dividend distributions, 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 Net Assets, which comprises part of the financial information included in this report.

### Important Tax Information (unaudited)

All of the net investment income distributions paid by MuniHoldings New Jersey Insured Fund, Inc. during its taxable year ended July 31, 2004 qualify as tax-exempt interest dividends for federal income tax purposes.

Please retain this information for your records.

### Electronic Delivery

The Fund offers electronic delivery of communications to its shareholders. In order to receive this service, you must register your account and provide us with e-mail information. To sign up for this service, simply access this Web site <http://www.icsdelivery.com/live> and follow the instructions. When you visit this site, you will obtain a personal identification number (PIN). You will need this PIN should you wish to update your e-mail address, choose to discontinue this service and/or make any other changes to the service. This service is not available for certain retirement accounts at this time.

MUNIHOLDINGS NEW JERSEY INSURED FUND, INC.

JULY 31, 2004

23

[LOGO] Merrill Lynch Investment Managers

[www.mlim.ml.com](http://www.mlim.ml.com)

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.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available (1) without

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

charge, upon request, by calling toll-free 1-800-MER-FUND (1-800-637-3863); (2) at [www.mutualfunds.ml.com](http://www.mutualfunds.ml.com); and (3) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>. Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12-month period ended June 30 is available (1) at [www.mutualfunds.ml.com](http://www.mutualfunds.ml.com) and (2) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

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

#HOLDNJ2 -- 7/04

Item 2 - Code of Ethics - The registrant has adopted a code of ethics, as of the end of the period covered by this report, that applies to the registrant's principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. A copy of the code of ethics is available without charge upon request by calling toll-free 1-800-MER-FUND (1-800-637-3863).

Item 3 - Audit Committee Financial Expert - The registrant's board of directors has determined that (i) the registrant has the following audit committee financial experts serving on its audit committee and (ii) each audit committee financial expert is independent: (1) Ronald W. Forbes, (2) Richard R. West, and (3) Edward D. Zinbarg.

Item 4 - Principal Accountant Fees and Services

(a) Audit Fees -	Fiscal Year Ending July 31, 2004 - \$31,500
	Fiscal Year Ending July 31, 2003 - \$30,550

(b) Audit-Related Fees -	Fiscal Year Ending July 31, 2004 - \$3,000
	Fiscal Year Ending July 31, 2003 - \$3,000

The nature of the services include assurance and related services reasonably related to the performance of the audit of financial statements not included in Audit Fees.

(c) Tax Fees -	Fiscal Year Ending July 31, 2004 - \$5,200
	Fiscal Year Ending July 31, 2003 - \$5,000

The nature of the services include tax compliance, tax advice and tax planning.

(d) All Other Fees -	Fiscal Year Ending July 31, 2004 - \$0
	Fiscal Year Ending July 31, 2003 - \$0

(e) (1) The registrant's audit committee (the "Committee") has adopted policies and procedures with regard to the pre-approval of services. Audit, audit-related and tax compliance services provided to the registrant on an annual basis require specific pre-approval by the Committee. The Committee also must approve other non-audit services provided to the registrant and those non-audit services provided to the registrant's affiliated service providers that relate directly to the operations and the financial reporting of the registrant. Certain of these non-audit services that the Committee believes are a) consistent with the SEC's auditor independence rules and b) routine and recurring services that will not impair the independence of the independent accountants may be approved by the Committee without consideration on a specific case-by-case basis ("general pre-approval"). However, such

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

services will only be deemed pre-approved provided that any individual project does not exceed \$5,000 attributable to the registrant or \$50,000 for all of the registrants the Committee oversees. Any proposed services exceeding the pre-approved cost levels will require specific pre-approval by the Committee, as will any other services not subject to general pre-approval (e.g., unanticipated but permissible services). The Committee is informed of each service approved subject to general pre-approval at the next regularly scheduled in-person board meeting.

(e) (2) 0%

(f) Not Applicable

(g) Fiscal Year Ending July 31, 2004 - \$8,200  
Fiscal Year Ending July 31, 2003 - \$8,000

(h) The registrant's audit committee has considered and determined that the provision of non-audit services that were rendered to the registrant's investment adviser and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

Regulation S-X Rule 2-01(c) (7) (ii) - \$945,000, 0%

Item 5 - Audit Committee of Listed Registrants - The following individuals are members of the registrant's separately-designated standing audit committee established in accordance with Section 3(a) (58) (A) of the Exchange Act (15 U.S.C. 78c(a) (58) (A)):

Ronald W. Forbes  
Cynthia A. Montgomery  
Charles C. Reilly (retired as of December 31, 2003)  
Kevin A. Ryan  
Roscoe S. Suddarth  
Richard R. West  
Edward D. Zinbarg

Item 6 - Schedule of Investments - Not Applicable

Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies -

Proxy Voting Policies and Procedures

Each Fund's Board of Directors/Trustees has delegated to Merrill Lynch Investment Managers, L.P. and/or Fund Asset Management, L.P. (the "Investment Adviser") authority to vote all proxies relating to the Fund's portfolio securities. The Investment Adviser has adopted policies and procedures ("Proxy Voting Procedures") with respect to the voting of proxies related to the portfolio securities held in the account of one or more of its clients, including a Fund. Pursuant to these Proxy Voting Procedures, the Investment Adviser's primary objective when voting proxies is to make proxy voting decisions solely in the best interests of each Fund and its shareholders, and to act in a manner that the Investment Adviser believes is most likely to enhance the economic value of the securities held by the Fund. The Proxy Voting Procedures are designed to ensure that that the Investment Adviser considers the interests of its clients, including the Funds, and not



the interests of the Investment Adviser, when voting proxies and that real (or perceived) material conflicts that may arise between the Investment Adviser's interest and those of the Investment Adviser's clients are properly addressed and resolved.

In order to implement the Proxy Voting Procedures, the Investment Adviser has formed a Proxy Voting Committee (the "Committee"). The Committee is comprised of the Investment Adviser's Chief Investment Officer (the "CIO"), one or more other senior investment professionals appointed by the CIO, portfolio managers and investment analysts appointed by the CIO and any other personnel the CIO deems appropriate. The Committee will also include two non-voting representatives from the Investment Adviser's Legal department appointed by the Investment Adviser's General Counsel. The Committee's membership shall be limited to full-time employees of the Investment Adviser. No person with any responsibilities for the Investment Adviser's affiliates may serve as a member of the Committee or participate in its decision making (except to the extent such person is asked by the Committee to present information to the Committee, on the same basis as other interested

knowledgeable parties not affiliated with the Investment Adviser might be asked to do so). The Committee determines how to vote the proxies of all clients, including a Fund, that have delegated proxy voting authority to the Investment Adviser and seeks to ensure that all votes are consistent with the best interests of those clients and are free from unwarranted and inappropriate influences. The Committee establishes general proxy voting policies for the Investment Adviser and is responsible for determining how those policies are applied to specific proxy votes, in light of each issuer's unique structure, management, strategic options and, in certain circumstances, probable economic and other anticipated consequences of alternate actions. In so doing, the Committee may determine to vote a particular proxy in a manner contrary to its generally stated policies. In addition, the Committee will be responsible for ensuring that all reporting and recordkeeping requirements related to proxy voting are fulfilled.

The Committee may determine that the subject matter of a recurring proxy issue is not suitable for general voting policies and requires a case-by-case determination. In such cases, the Committee may elect not to adopt a specific voting policy applicable to that issue. The Investment Adviser believes that certain proxy voting issues require investment analysis - such as approval of mergers and other significant corporate transactions - akin to investment decisions, and are, therefore, not suitable for general guidelines. The Committee may elect to adopt a common position for the Investment Adviser on certain proxy votes that are akin to investment decisions, or determine to permit the portfolio manager to make individual decisions on how best to maximize economic value for a Fund (similar to normal buy/sell investment decisions made by such portfolio managers). While it is expected that the Investment Adviser will generally seek to vote proxies over which the Investment Adviser exercises voting authority in a uniform manner for all the Investment Adviser's clients, the Committee, in conjunction with a Fund's portfolio manager, may determine that the Fund's specific circumstances require that its proxies be voted differently.

To assist the Investment Adviser in voting proxies, the Committee has retained Institutional Shareholder Services ("ISS"). ISS is an independent adviser that specializes in providing a variety of fiduciary-level proxy-related services to institutional investment

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

managers, plan sponsors, custodians, consultants, and other institutional investors. The services provided to the Investment Adviser by ISS include in-depth research, voting recommendations (although the Investment Adviser is not obligated to follow such recommendations), vote execution, and recordkeeping. ISS will also assist the Fund in fulfilling its reporting and recordkeeping obligations under the Investment Company Act.

The Investment Adviser's Proxy Voting Procedures also address special circumstances that can arise in connection with proxy voting. For instance, under the Proxy Voting Procedures, the Investment Adviser generally will not seek to vote proxies related to portfolio securities that are on loan, although it may do so under certain circumstances. In addition, the Investment Adviser will vote proxies related to securities of foreign issuers only on a best efforts basis and may elect not to vote at all in certain countries where the Committee determines that the costs associated with voting generally outweigh the benefits. The Committee may at any time override these general policies if it determines that such action is in the best interests of a Fund.

From time to time, the Investment Adviser may be required to vote proxies in respect of an issuer where an affiliate of the Investment Adviser (each, an "Affiliate"), or a money management or other client of the Investment Adviser (each, a "Client") is involved. The Proxy Voting Procedures and the Investment Adviser's adherence to those procedures are designed to address such conflicts of interest. The Committee intends to strictly adhere to the Proxy Voting Procedures in all proxy matters, including matters involving Affiliates and Clients. If, however, an issue representing a non-routine matter that is material to an Affiliate or a widely known Client is involved such that the Committee does not reasonably believe it is able to follow its guidelines (or if the particular proxy matter is not addressed by the guidelines) and vote impartially, the Committee may, in its discretion for the purposes of ensuring that an independent determination is reached, retain an independent fiduciary to advise the Committee on how to vote or to cast votes on behalf of the Investment Adviser's clients.

In the event that the Committee determines not to retain an independent fiduciary, or it does not follow the advice of such an independent fiduciary, the powers of the Committee shall pass to a subcommittee, appointed by the CIO (with advice from the Secretary of the Committee), consisting solely of Committee members selected by the CIO. The CIO shall appoint to the subcommittee, where appropriate, only persons whose job responsibilities do not include contact with the Client and whose job evaluations would not be affected by the Investment Adviser's relationship with the Client (or failure to retain such relationship). The subcommittee shall determine whether and how to vote all proxies on behalf of the Investment Adviser's clients or, if the proxy matter is, in their judgment, akin to an investment decision, to defer to the applicable portfolio managers, provided that, if the subcommittee determines to alter the Investment Adviser's normal voting guidelines or, on matters where the Investment Adviser's policy is case-by-case, does not follow the voting recommendation of any proxy voting service or other independent fiduciary that may be retained to provide research or advice to the Investment Adviser on that matter, no proxies relating to the Client may be voted unless the Secretary, or in the Secretary's absence, the Assistant Secretary of the Committee concurs that the subcommittee's determination is consistent with the Investment Adviser's fiduciary duties.

In addition to the general principles outlined above, the Investment

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

Adviser has adopted voting guidelines with respect to certain recurring proxy issues that are not expected to involve unusual circumstances. These policies are guidelines only, and the Investment Adviser may elect to vote differently from the recommendation set forth in a voting guideline if the Committee determines that it is in a Fund's best interest to do so. In addition, the guidelines may be reviewed at any time upon the request of a Committee member and may be amended or deleted upon the vote of a majority of Committee members present at a Committee meeting at which there is a quorum.

The Investment Adviser has adopted specific voting guidelines with respect to the following proxy issues:

- o Proposals related to the composition of the Board of Directors of issuers other than investment companies. As a general matter, the Committee believes that a company's Board of Directors (rather than shareholders) is most likely to have access to important, nonpublic information regarding a company's business and prospects, and is therefore best-positioned to set corporate policy and oversee management. The Committee, therefore, believes that the foundation of good corporate governance is the election of qualified, independent corporate directors who are likely to diligently represent the interests of shareholders and oversee management of the corporation in a manner that will seek to maximize shareholder value over time. In individual cases, the Committee may look at a nominee's history of representing shareholder interests as a director of other companies or other factors, to the extent the Committee deems relevant.
- o Proposals related to the selection of an issuer's independent auditors. As a general matter, the Committee believes that corporate auditors have a responsibility to represent the interests of shareholders and provide an independent view on the propriety of financial reporting decisions of corporate management. While the Committee will generally defer to a corporation's choice of auditor, in individual cases, the Committee may look at an auditors' history of representing shareholder interests as auditor of other companies, to the extent the Committee deems relevant.
- o Proposals related to management compensation and employee benefits. As a general matter, the Committee favors disclosure of an issuer's compensation and benefit policies and opposes excessive compensation, but believes that compensation matters are normally best determined by an issuer's board of directors, rather than shareholders. Proposals to "micro-manage" an issuer's compensation practices or to set arbitrary restrictions on compensation or benefits will, therefore, generally not be supported.
- o Proposals related to requests, principally from management, for approval of amendments that would alter an issuer's capital structure. As a general matter, the Committee will support requests that enhance the rights of common shareholders and oppose requests that appear to be unreasonably dilutive.
- o Proposals related to requests for approval of amendments to an issuer's charter or by-laws. As a general matter, the Committee opposes poison pill provisions.
- o Routine proposals related to requests regarding the formalities of corporate meetings.
- o Proposals related to proxy issues associated solely with holdings of investment company shares. As with other types of companies, the Committee

## Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

believes that a fund's Board of Directors (rather than its shareholders) is best-positioned to set fund policy and oversee management. However, the Committee opposes granting Boards of Directors authority over certain matters, such as changes to a fund's investment objective, that the Investment Company Act envisions will be approved directly by shareholders.

- o Proposals related to limiting corporate conduct in some manner that relates to the shareholder's environmental or social concerns. The Committee generally believes that annual shareholder meetings are inappropriate forums for discussion of larger social issues, and opposes shareholder resolutions "micromanaging" corporate conduct or requesting release of information that would not help a shareholder evaluate an investment in the corporation as an economic matter. While the Committee is generally supportive of proposals to require corporate disclosure of matters that seem relevant and material to the economic interests of shareholders, the Committee is generally not supportive of proposals to require disclosure of corporate matters for other purposes.

Item 8 - Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers - Not Applicable

Item 9 - Submission of Matters to a Vote of Security Holders - Not Applicable

Item 10 - Controls and Procedures

10(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.

10(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the second fiscal half-year of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 11 - Exhibits attached hereto

11(a) (1) - Code of Ethics - See Item 2

11(a) (2) - Certifications - Attached hereto

11(a) (3) - Not Applicable

11(b) - Certifications - Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MuniHoldings New Jersey Insured Fund, Inc.

Edgar Filing: MUNIHOLDINGS NEW JERSEY INSURED FUND INC - Form N-CSR

By: /s/ Terry K. Glenn

-----  
Terry K. Glenn,  
President of  
MuniHoldings New Jersey Insured Fund, Inc.

Date: September 17, 2004

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

By: /s/ Terry K. Glenn

-----  
Terry K. Glenn,  
President of  
MuniHoldings New Jersey Insured Fund, Inc.

Date: September 17, 2004

By: /s/ Donald C. Burke

-----  
Donald C. Burke,  
Chief Financial Officer of  
MuniHoldings New Jersey Insured Fund, Inc.

Date: September 17, 2004