

NUVEEN INSURED CALIFORNIA PREMIUM INCOME MUNICIPAL FUND 2 IN
Form N-30D
May 09, 2001

SEMIANNUAL REPORT February 28, 2001

LOGO: NUVEEN Investments

Municipal Closed-End Exchange-Traded Funds

Dependable, tax-free income to help you keep more of what you earn.

CALIFORNIA
NPC
NCL
NCU

INVEST WELL.

LOOK AHEAD.

LEAVE YOUR MARK. (SM)

2 PHOTOS.

Credit Quality
HIGHLIGHTS As of February 28, 2001

| | |
|----------|------------------------------------|
| CONTENTS | |
| 1 | Dear Shareholder |
| 3 | Portfolio Managers' Comments |
| 7 | NPC Performance Overview |
| 8 | NCL Performance Overview |
| 9 | NCU Performance Overview |
| 10 | Shareholder Meeting Report |
| 12 | Portfolio of Investments |
| 20 | Statement of Net Assets |
| 21 | Statement of Operations |
| 22 | Statement of Changes in Net Assets |
| 23 | Notes to Financial Statements |
| 29 | Financial Highlights |
| 32 | Build Your Wealth Automatically |
| 33 | Fund Information |

NUVEEN INSURED CALIFORNIA PREMIUM INCOME MUNICIPAL FUND, INC. (NPC)

| | |
|-----------------|-----|
| Insured | 82% |
| U.S. Guaranteed | 18% |

NUVEEN INSURED CALIFORNIA PREMIUM INCOME MUNICIPAL FUND 2, INC. (NCL)

| | |
|-----------------------------|-----|
| Insured | 92% |
| Insured and U.S. Guaranteed | 5% |

U.S. Guaranteed 3%

| | |
|---|-----|
| NUVEEN CALIFORNIA PREMIUM INCOME MUNICIPAL FUND (NCU) | |
| AAA/U.S. Guaranteed | 60% |
| AA | 6% |
| A | 9% |
| BBB | 7% |
| NR | 16% |
| Other | 2% |

COMPOUND YOUR WEALTH - AUTOMATICALLY

All Nuveen Municipal Closed-End ETFs let you reinvest dividends and capital gains directly into additional shares of your Fund. This is a great way to see your investment grow through the power of compounding.

For more information about Dividend Reinvestment, see the last page of this report or speak with your financial advisor.

Photo of: Timothy R. Schwertfeger
Chairman of the Board

Sidebar text: "A WELL-BALANCED PORTFOLIO CAN HELP YOU REDUCE YOUR INVESTMENT RISKS."

Dear
SHAREHOLDER

One of the primary goals of your Nuveen California Fund is to provide you with attractive, dependable income from a quality portfolio that is free from federal and California state income taxes. I am pleased to report that over the period covered by this report your Fund has continued to meet these objectives. I urge you to read the Portfolio Managers' Comments and Performance Overview pages included in this report, which provide more details about Fund results, how they were achieved, and how the Funds are trying to position themselves for the future.

The uncertain markets of this past reporting period also remind us of another important reason for investing in Nuveen Funds. In times such as these, your Nuveen Fund can help bring a measure of diversification to your overall portfolio and serve as a useful counterbalance to other holdings. A well-balanced portfolio can help you reduce your investment risks and provide one of the keys to strong long-term performance.

Invest Well. Look Ahead. Leave Your Mark.

At Nuveen, we believe that investors should focus not only on investments that can help them accumulate wealth, but also on the plans and services that can help preserve that wealth and pass it along to future generations. This long-term perspective is an integral part of our portfolio management strategies, our insistence on quality, and our desire to provide investments that can withstand the test of time.

In establishing a program tailored to your needs, the sound ongoing advice and disciplined focus provided by a trusted financial advisor can be an invaluable resource, enabling you

Sidebar text:

"IN ESTABLISHING A PROGRAM TAILORED TO YOUR NEEDS, THE SOUND ONGOING ADVICE AND DISCIPLINED FOCUS PROVIDED BY A TRUSTED FINANCIAL ADVISOR CAN BE AN INVALUABLE RESOURCE."

to make wise investment decisions and build a program that can result in a lasting legacy.

For more than a century, Nuveen has offered quality investments to those who recognize and embrace the need for building, preserving and managing wealth. All of us at Nuveen are dedicated to working with you and your financial advisor to provide the services, products, perspectives, and solutions that can help you meet your personal and family financial goals, now and for years to come. We thank you for your continued confidence.

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

April 16, 2001

Nuveen California Premium Income Closed-End Exchange-Traded Funds
NPC, NCL, NCU

Portfolio Managers'
COMMENTS

Portfolio managers Mike Davern and Bill Fitzgerald review national and state economic conditions, key investment strategies, and the recent performance of the Nuveen California Premium Income Closed-End Exchange-Traded Funds. Mike has managed NPC and NCL since 1998, and Bill assumed portfolio management responsibility for NCU in 1998.

WHAT MAJOR FACTORS AFFECTED THE U.S. ECONOMY AND THE MUNICIPAL MARKET DURING THIS REPORTING PERIOD?

The major factor affecting the national economy and the fixed-income markets has been the Federal Reserve's interest rate policy. During the last half of 2000, the Fed maintained the federal funds target rate at 6.50%, the highest level in almost a decade. As evidence grew that the economy was beginning to slow, the Fed announced two 50 basis point interest rate cuts in January 2001. (Following the close of the period covered in this report, the Fed moved to cut rates by an additional 50 basis points on March 20, bringing the federal funds rate to 5.00%.)

The consensus among many market observers is that the Fed may continue to ease as long as signs of a significant economic slowdown remain.

In the municipal market, indications of economic slowing and a relatively tight supply of new issues helped many bonds perform well. For the 12 months ended February 28, 2001, new issuance of municipal bonds totaled approximately \$211 billion nationwide, down 2% from the previous 12-month period (March 1999 through February 2000). Some of the tightness in supply stemmed from higher rate concerns during much of this period, which made it less attractive for many issuers to offer bonds. In addition, generally favorable economic conditions in most cities and states over the past decade enabled many issuers to use pay-as-you-go funding for necessary projects, rather than financing obtained through new issuance.

At the same time, demand for municipal bonds continued to be strong from individual investors looking for diversification, income, and an alternative to a volatile stock market. As a result, municipal bond prices were generally higher, and yields were correspondingly lower, at the end of February 2001 than they were 12 months earlier. Even at current prices, we believe municipals continue to represent good value. As of February 28, 2001, long-term municipal yields were 103% of 30-year Treasury yields, compared with 101% in February 2000 and the historical average of 86% for the period 1986-1999.

WHAT ABOUT THE OVERALL ECONOMIC AND MARKET ENVIRONMENT IN CALIFORNIA?

New municipal supply in California remained tight throughout 2000. However, the Fed's January 2001 interest rate cuts created a more favorable environment for refundings, which helped to boost municipal issuance in the state. In January and February 2001, new issuance in California totaled \$4.6 billion, up 156% over the first two months of 2000 and nearly three times the 57% increase in national municipal supply over this period. We anticipate a continued strong pattern of California new issue supply, as well as growth in the number of issuers that use the California market to raise funds. We think this will be driven in part by refundings and in part by the slowing economy, which will decrease tax revenues and create a greater need for municipalities to borrow.

Given California's high marginal income tax rate, demand from individual investors continued to be very strong over the past 12 months. We expect this strong demand to continue, especially as investors look for ways to rebalance their holdings and reduce overall portfolio risk.

Looking at the economic environment, California's growth continued to outpace the U.S. averages over the past 12 months. While volatility in the technology sector and lower infusions of venture capital pose

serious downside risks for the California economy going forward, steady job growth in economic sectors continued and overall unemployment in the state remained below the national average.

HOW DO YOU THINK THE STATE'S ENERGY PROBLEMS WILL AFFECT THE CALIFORNIA ECONOMY?

Currently, a main focus of attention in California is the state's energy situation and its two largest investor-owned utilities, Pacific Gas & Electric

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Company and Southern California Edison. By early 2001, adequate energy supply was a day-to-day worry, PG&E and SoCalEd had amassed more than \$14 billion of debt, and the state had spent about half of its \$8.5 billion budget surplus for electricity.

(In late March, after the close of the Funds' reporting period, California authorities approved an immediate increase of up to 46% in electric rates for PG&E and SoCalEd. In addition, plans were announced to issue \$14 billion of revenue bonds in May to fund future power purchases. Despite these efforts, PG&E filed for bankruptcy protection in early April and California's overall energy picture remained cloudy at the time this report was prepared.)

Given California's energy situation, it is important to note that all three major rating agencies - Moody's Investor Services, Standard & Poor's, and Fitch - have maintained their credit ratings for California's general obligation bonds at Aa2/AA/AA, respectively. As of the printing of this report, both Moody's and Fitch also have maintained their state economic outlooks at stable, with Fitch specifically citing California's favorable economy and financial operations. S&P has placed the state on credit watch, which often is a first step to a possible rating change. We continue to watch the unfolding situation carefully and are prepared to act quickly to protect the best interests of Fund shareholders.

DID THIS ENERGY SITUATION HAVE ANY IMPACT ON THE NUVEEN CALIFORNIA CLOSED-END EXCHANGE-TRADED FUNDS?

None of the Funds covered in this report hold bonds backed by PG&E. NPC, NCL and NCU all hold some bonds backed by SoCalEd, but since these bonds are insured we have few concerns about the continued timely payment of interest and principal. As of mid-April, we had seen no impact on the Funds' NAVs or share prices as a result of these SoCalEd holdings. As noted, we will continue to monitor the situation very carefully and take any appropriate actions in a timely fashion to help protect Fund shareholders.

HOW DID THE NUVEEN CALIFORNIA PREMIUM INCOME FUNDS PERFORM OVER THE TWELVE MONTHS ENDED FEBRUARY 28, 2001?

For the twelve months ended February 28, 2001, the Nuveen California Premium Income Closed-End Exchange-Traded Funds produced total returns on net asset value (NAV) as shown in the accompanying table. The annual returns for the appropriate Lehman Brothers California Tax-Exempt Bond Index1 and Lipper California Peer Group2 are also presented.

| | MARKET YIELD | TOTAL RETURN ON NAV | LEHMAN CALIFORNIA BOND TOTAL RETURN1 | LIPPER CALIFORNIA FUND AVERAGE2 | |
|-----|-------------------------|----------------------------|---|--|--------|
| | 2/28/01 | 1 YEAR ENDED 2/28/01 | 1 YEAR ENDED 2/28/01 | 1 YEAR ENDED 2/28/01 | |
| | TAXABLE- EQUIVALENT3 | | | | |
| NPC | 5.53% | 8.85% | 17.93% | 13.64% | 16.61% |
| NCL | 5.41% | 8.66% | 17.77% | 13.64% | 16.61% |
| NCU | 5.49% | 8.78% | 17.32% | 12.69% | 16.70% |

Past performance is not predictive of future results.

For additional information, see the individual Performance Overview for your Fund in this report.

In early 2000, as the Fed's interest rate hikes pushed yields higher, municipal bond prices took a corresponding drop. Over the summer, however, the tight supply of new municipal issues and generally favorable technical conditions helped prompt a shift in market outlook, leading to a rally in the municipal market and boosting the prices of many bonds. The Funds' participation in the recovery of the municipal market is reflected in the total returns on NAV listed in the previous table, which show substantial improvement over the performance results presented in the Funds' annual report for the period ended August 31, 2000.

During the 12 months ended February 28, 2001, the yield on the Bond Buyer 25 Revenue Bond Index fell from 6.26% to 5.47%. In this environment of falling yields (and rising bond values), funds with longer durations⁴ would be expected to perform well. As of February 28, 2001, the durations of the insured NPC and NCL were 11.53 and 9.65, respectively, compared with 8.73 for the Lehman Brothers California Insured Tax-Exempt Bond Index. NCU's duration was 12.06, which compares with 7.97 for the unleveraged Lehman California Tax-Exempt Bond Index.

- 1 The performances of NPC and NCL are compared with that of the Lehman Brothers California Insured Tax-Exempt Bond Index, an unleveraged index comprising a broad range of insured California municipal bonds, and NCU's performance is compared with that of the Lehman California Tax-Exempt Bond Index, an unleveraged index comprising a broad range of investment-grade California municipal bonds. Results for the Lehman indexes do not reflect any expenses.
- 2 The total returns of NPC and NCL are compared with the average annualized return of the 10 funds in the Lipper California Insured Municipal Debt Funds category, and NCU's total return is compared with the average annualized return of the 19 funds in the Lipper California Municipal Debt Funds category. Fund and Lipper returns assume reinvestment of dividends.
- 3 The taxable-equivalent yield represents the yield that must be earned on a taxable investment in order to equal the yield of the Nuveen Fund on an after-tax basis. The taxable-equivalent yield is based on the Fund's market yield on the indicated date and a combined federal and state income tax rate of 37.5%.
- 4 Duration is a measure of a Fund's NAV volatility in reaction to interest rate movements. Fund duration, also known as leverage-adjusted duration, takes into account the leveraging process for a Fund and therefore is generally longer than the duration of the actual portfolio of individual bonds that make up the Fund. References to duration in this commentary are intended to indicate Fund duration, unless otherwise noted.

WERE THE FUNDS' DIVIDENDS AFFECTED BY THE MARKET ENVIRONMENT?

Changes in the interest rate environment over the past 12 months had an impact on the dividends of all three Nuveen California Premium Income Funds. Each of these Funds uses leverage as a way to potentially enhance the dividends paid to common shareholders. The extent of this benefit is tied in part to the

short-term rates that the Funds pay their MuniPreferred shareholders. When short-term rates rise, the Funds must pay out more income to preferred shareholders, decreasing the amount of income available for common shareholders. As the Federal Reserve raised short-term rates between June 1999 and May 2000, these increases had a corresponding impact on short-term municipal rates. The increase in short-term municipal rates was sufficient to cause a decrease in the common share dividend of each of these Funds in June 2000. Despite these dividend adjustments, the Nuveen California Premium Income Funds continued to provide competitive market yields, as shown in the earlier table.

Recently, the Fed's interest rate cuts has contributed to a steepening of the slope in the municipal yield curve. The lower rates offered by municipal securities with shorter maturities could potentially have beneficial effects on the dividend stability of these leveraged Funds by reducing the amount the Funds pay their MuniPreferred shareholders. However, this benefit could be offset to some degree by the effect of bond calls on the higher-yielding bonds held by these portfolios. The level of short-term rates, the amount and timing of bond calls, and the interest rates at which we can reinvest the proceeds of any calls all will influence the dividends of the Nuveen California Premium Income Funds over the next twelve months.

WHAT ABOUT THE FUNDS' SHARE PRICE PERFORMANCE?

During the first half of 2000, uncertainties about interest rates, along with investors' focus on equity market performance, tended to dampen interest in most fixed-income products. The lack of demand put pressure on the prices of many municipal bond investments. However, as the bond market recovered and the stock market continued to be volatile, many investors again appeared to be considering tax-free fixed-income alternatives. As a result, the share prices of these Funds improved in late 2000 and early 2001 (see the charts on the individual Performance Overview pages).

As investors recognized this opportunity, robust demand for the Nuveen California Premium Income Funds caused the discounts (share price below NAV) on NPC and NCL to narrow, and the premium (share price above NAV) on NCU widened over the twelve months ended February 28, 2001. Since the market prices of NPC and NCL continue to be below the actual value of the bonds in their portfolios, shareholders may want to consider taking advantage of this opportunity to add to their holdings of these Nuveen Funds.

WHAT KEY STRATEGIES WERE USED TO MANAGE THE NUVEEN CALIFORNIA PREMIUM INCOME FUNDS DURING THE TWELVE MONTHS ENDED FEBRUARY 28, 2001?

Despite a slow start, the twelve months ended February 28, 2001, turned out to be generally positive for municipal bonds. Given this positive market environment and the tight supply of new issuance during most of this period, we found relatively fewer opportunities to make trades that we believed would substantially enhance the Funds' holdings. Guiding the transactions we did make were the desire to strengthen long-term dividend-paying capabilities, enhance call protection, and purchase bonds with the potential to add value and diversification to the Funds' portfolios.

Because the California economy is so large and diverse, in many ways it behaves like a national economy. This means it has a wide variety of industry sectors that, at any given time, may be in or out of favor with the market. One of the ways we sought to add value was by closely watching market cycles within the state, assessing sector opportunities and issuance from a macroeconomic perspective, and trying to stay ahead of the opportunity curve. For example, during the twelve months ended February 28, 2001, NPC added to its holdings of

insured general obligation bonds issued by the state of California in order to take advantage of attractive prices and yields brought on by the evolving energy situation. While state resources may be under pressure for some time, we believe California will come through this crisis on a sound financial footing, and these insured bonds offered excellent value to the portfolio.

Looking at NCL as well as NPC, both Funds benefited during the reporting period from their holdings in the water and sewer sector. This area, which represented one of the largest concentrations for both funds, was among the top performers in the California market over the past twelve months.

In NCU, the transportation sector provided several opportunities to purchase higher-rated bonds from issuers such as the Airport Commission of the city and county of San Francisco - San Francisco International Airport, which further enhanced the credit quality of the Fund. In addition, because transportation bonds are among the most frequently traded issues in the California marketplace, they provide a high degree of liquidity that enables us to stay fully invested, yet positioned to take advantage of opportunities as they arose.

NCU also continued to offer excellent credit quality, with 66% of the Fund's assets invested in bonds rated AAA/U.S. guaranteed and AA as of February 28, 2001. In addition, the Fund had a 23% allocation of BBB and non-rated bonds, which generally provided higher yields during 2000. These lower-rated bonds also helped NCU's total return performance as credit spreads narrowed in January and February 2001. Both NPC and NCL are 100% invested in insured and/or U.S. guaranteed bonds, which means that credit quality is not an issue.

WHAT IS YOUR OUTLOOK FOR THE NUVEEN CALIFORNIA PREMIUM INCOME FUNDS?

In general, our outlook for the fixed-income markets over the next year is positive. Current projections call for continued strong demand for municipal bonds. Although we are seeing the pace of refundings pick up as interest rates decline, new municipal issuance nationwide in 2001 is expected to remain around \$200 billion. Thus, supply and demand dynamics should continue to provide support for the municipal market and municipal bond prices. We will, of course, continue to closely monitor the economy, the progress of federal income tax reduction proposals and any further actions by the Federal Reserve in order to be prepared to respond appropriately to any developing situations.

Looking specifically at the Nuveen Funds, all offer excellent levels of call protection for the remainder of 2001, with call exposures of less than 2% in NPC and NCL and approximately 7% in NCU. In 2002, NCL and NCU will continue to offer low levels of call exposure. However, NPC, which reaches its 10th anniversary in November 2002, is entering the part a period when call exposure typically increases. During 2002, this Fund could see approximately 16% of its portfolio affected by bond calls, depending on market interest rates during that time. We will continue to work to reduce this exposure and foresee no problems in managing these positions.

While we cannot control the direction of interest rates, we will continue to work to reduce the Funds' call exposure and to actively manage the Funds to mitigate the longer-term effects of the bond call process. These strategies include selling bonds with short call dates and pre-refunded bonds with short maturities. At the present time, we anticipate holding older bonds with higher yields until six months to a year before their call dates and then selling these bonds and reinvesting the proceeds in the longer end of the primary market. In this way, we can keep the principal gains achieved over the past 12 months while maximizing tax-exempt income.

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In addition to bond calls, we plan to continue to focus on keeping the Funds fully invested and working for shareholders and on strengthening the Funds' dividend-payment capabilities as market conditions allow. As value-oriented investors, we will continue to look for areas of the market that can add value for our shareholders. We believe the Nuveen California Premium Income Funds will continue to serve as a dependable source of tax-free income and portfolio diversification, two essential elements of a comprehensive investment strategy.

Nuveen Insured California Premium Income Municipal Fund, Inc.

Performance

OVERVIEW As of February 28, 2001

NPC

PORTFOLIO STATISTICS

| | |
|--|-----------|
| Inception Date | 11/92 |
| Share Price | \$15.07 |
| Net Asset Value | \$15.54 |
| Market Yield | 5.53% |
| Taxable-Equivalent Yield (Federal Income Tax Rate) ¹ | 8.01% |
| Taxable-Equivalent Yield (Federal and State Income Tax Rate) ¹ | 8.85% |
| Fund Net Assets (\$000) | \$144,836 |
| Average Effective Maturity (Years) | 20.54 |
| Leverage-Adjusted Duration | 11.53 |

ANNUALIZED TOTAL RETURN

| | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year | 18.42% | 17.93% |
| 5-Year | 7.80% | 5.92% |
| Since Inception | 5.91% | 6.93% |

TOP FIVE SECTORS (AS A % OF TOTAL INVESTMENTS)

| | |
|------------------------|-----|
| Tax Obligation/Limited | 19% |
| U.S.Guaranteed | 18% |
| Water and Sewer | 17% |
| Tax Obligation/General | 13% |

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Healthcare 10%

BAR CHART:

2000-2001 Monthly Tax-Free Dividends Per Share2

| | |
|-------|--------|
| 3/00 | 0.0715 |
| 4/00 | 0.0715 |
| 5/00 | 0.0715 |
| 6/00 | 0.0695 |
| 7/00 | 0.0695 |
| 8/00 | 0.0695 |
| 9/00 | 0.0695 |
| 10/00 | 0.0695 |
| 11/00 | 0.0695 |
| 12/00 | 0.0695 |
| 1/01 | 0.0695 |
| 2/01 | 0.0695 |

LINE CHART:

Share Price Performance

| | |
|---------|-------|
| 3/03/00 | 13.38 |
| | 13.5 |
| | 14.13 |
| | 14.31 |
| | 14.13 |
| | 13.88 |
| | 13.69 |
| | 13.88 |
| | 14.19 |
| | 14.13 |
| | 14.13 |
| | 13.94 |
| | 13.94 |
| | 14 |
| | 14 |
| | 14.13 |
| | 14.25 |
| | 14.5 |
| | 14.44 |
| | 14.5 |
| | 14.38 |
| | 14.44 |
| | 14.69 |
| | 14.75 |
| | 14.69 |
| | 14.63 |
| | 14.63 |
| | 14.94 |
| | 14.75 |
| | 14.69 |
| | 14.56 |
| | 14.56 |
| | 14.38 |
| | 14.06 |
| | 14.19 |
| | 14.56 |
| | 14.25 |

14.44
 14.44
 14.31
 14.44
 14.5
 14.75
 14.75
 15.19
 15.38
 15.25
 15.3
 15.02
 15.2
 2/28/01 15.2

Weekly Closing Price

Past performance is not predictive of future results.

- 1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 31%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 37.5%.
- 2 The Fund also paid shareholders a net ordinary income distribution in December 2000 of \$0.0222 per share.

Nuveen Insured California Premium Income Municipal Fund 2, Inc.

Performance

OVERVIEW As of February 28, 2001

NCL

PORTFOLIO STATISTICS

| | |
|--|-----------|
| Inception Date | 3/93 |
| Share Price | \$14.30 |
| Net Asset Value | \$14.53 |
| Market Yield | 5.41% |
| Taxable-Equivalent Yield (Federal Income Tax Rate) ¹ | 7.84% |
| Taxable-Equivalent Yield (Federal and State Income Tax Rate) ¹ | 8.66% |
| Fund Net Assets (\$000) | \$278,587 |
| Average Effective Maturity (Years) | 18.99 |
| Leverage-Adjusted Duration | 9.65 |

 ANNUALIZED TOTAL RETURN

| | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year | 21.17% | 17.77% |
| 5-Year | 8.48% | 6.70% |
| Since Inception | 5.24% | 6.11% |

TOP FIVE SECTORS (AS A % OF TOTAL INVESTMENTS)

| | |
|------------------------|-----|
| Tax Obligation/Limited | 43% |
| Tax Obligation/General | 11% |
| Water and Sewer | 8% |
| U.S.Guaranteed | 8% |
| Utilities | 7% |

BAR CHART:

2000-2001 Monthly Tax-Free Dividends Per Share²

| | |
|-------|--------|
| 3/00 | 0.065 |
| 4/00 | 0.065 |
| 5/00 | 0.065 |
| 6/00 | 0.0645 |
| 7/00 | 0.0645 |
| 8/00 | 0.0645 |
| 9/00 | 0.0645 |
| 10/00 | 0.0645 |
| 11/00 | 0.0645 |
| 12/00 | 0.0645 |
| 1/01 | 0.0645 |
| 2/01 | 0.0645 |

LINE CHART:

Share Price Performance

| | |
|---------|-------|
| 3/03/00 | 12.44 |
| | 12.06 |
| | 12.25 |
| | 12.38 |
| | 12.88 |
| | 13.19 |
| | 13.25 |
| | 13.25 |
| | 13.25 |
| | 13.06 |
| | 12.81 |
| | 12.56 |
| | 12.75 |
| | 12.81 |
| | 12.88 |
| | 12.88 |
| | 12.81 |

13.13
 13.38
 13.5
 13.38
 13.38
 13.69
 13.63
 13.69
 13.75
 13.94
 14
 13.88
 13.75
 13.75
 13.38
 13.31
 13.38
 13.25
 13.25
 13.31
 13.13
 13.25
 13.19
 13.38
 13.69
 13.81
 14
 14.69
 14.88
 14.56
 14.67
 14.51
 14.45
 2/28/01 14.35

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 31%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 37.5%.

2 The Fund also paid shareholders a net ordinary income distribution in December 2000 of \$0.0012 per share.

Nuveen California Premium Income Municipal Fund

Performance

OVERVIEW As of February 28, 2001

NCU

PORTFOLIO STATISTICS

 Inception Date

6/93

| | |
|--|-----------|
| Share Price | \$14 |
| Net Asset Value | \$13.70 |
| Market Yield | 5.49% |
| Taxable-Equivalent Yield (Federal Income Tax Rate) ¹ | 7.96% |
| Taxable-Equivalent Yield (Federal and State Income Tax Rate) ¹ | 8.78% |
| Fund Net Assets (\$000) | \$122,036 |
| Average Effective Maturity (Years) | 17.81 |
| Leverage-Adjusted Duration | 12.06 |

ANNUALIZED TOTAL RETURN

| | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year | 19.00% | 17.32% |
| 5-Year | 8.59% | 6.58% |
| Since Inception | 5.15% | 5.56% |

TOP FIVE SECTORS (AS A % OF TOTAL INVESTMENTS)

| | |
|------------------------|-----|
| Tax Obligation/Limited | 23% |
| Healthcare | 16% |
| Tax Obligation/General | 14% |
| Housing Multifamily | 13% |
| U.S.Guaranteed | 10% |

BAR CHART:

2000-2001 Monthly Tax-Free Dividends Per Share²

| | |
|-------|-------|
| 3/00 | 0.067 |
| 4/00 | 0.067 |
| 5/00 | 0.067 |
| 6/00 | 0.064 |
| 7/00 | 0.064 |
| 8/00 | 0.064 |
| 9/00 | 0.064 |
| 10/00 | 0.064 |
| 11/00 | 0.064 |
| 12/00 | 0.064 |
| 1/01 | 0.064 |
| 2/01 | 0.064 |

LINE CHART:

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Share Price Performance

| | |
|---------|-------|
| 3/03/00 | 12.44 |
| | 12.44 |
| | 12.44 |
| | 12.44 |
| | 12.63 |
| | 12.69 |
| | 12.56 |
| | 12.38 |
| | 12.38 |
| | 12.25 |
| | 12.38 |
| | 12.31 |
| | 12.19 |
| | 12.5 |
| | 12.56 |
| | 12.56 |
| | 12.69 |
| | 12.75 |
| | 13 |
| | 13.06 |
| | 13 |
| | 13 |
| | 13.13 |
| | 13.13 |
| | 13.19 |
| | 13.19 |
| | 13.31 |
| | 13.38 |
| | 13.31 |
| | 13.13 |
| | 13.19 |
| | 13 |
| | 12.88 |
| | 12.5 |
| | 12.5 |
| | 12.81 |
| | 12.94 |
| | 12.81 |
| | 12.94 |
| | 13.06 |
| | 13 |
| | 13.06 |
| | 13.19 |
| | 13.69 |
| | 13.88 |
| | 13.94 |
| | 14.06 |
| | 14.08 |
| | 13.97 |
| | 14 |
| 2/28/01 | 14 |

Weekly Closing Price

Past performance is not predictive of future results.

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 31%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on

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a combined federal and state income tax rate of 37.5%.

- 2 The Fund also paid shareholders a net ordinary income distribution in December 2000 of \$0.0151 per share.

Shareholder
MEETING REPORT

The annual shareholder meeting was held in Chicago, Illinois on November 16, 2000.

| | | NPC | | |
|---|--|------------------|---------------------------------|----|
| APPROVAL OF THE DIRECTORS WAS REACHED AS FOLLOWS: | | | | |
| | | Common Shares | Preferred Shares Series-T | |
| ----- | | | | |
| Robert P. Bremner | | | | |
| For | | 5,825,019 | 1,795 | 11 |
| Withhold | | 70,821 | 1 | |
| Total | | 5,895,840 | 1,796 | 11 |
| ----- | | | | |
| Lawrence H. Brown | | | | |
| For | | 5,824,219 | 1,795 | 11 |
| Withhold | | 71,621 | 1 | |
| Total | | 5,895,840 | 1,796 | 11 |
| ----- | | | | |
| Anne E. Impellizzeri | | | | |
| For | | 5,821,244 | 1,795 | 11 |
| Withhold | | 74,596 | 1 | |
| Total | | 5,895,840 | 1,796 | 11 |
| ----- | | | | |
| Peter R. Sawers | | | | |
| For | | 5,822,844 | 1,795 | 11 |
| Withhold | | 72,996 | 1 | |
| Total | | 5,895,840 | 1,796 | 11 |
| ----- | | | | |
| Judith M. Stockdale | | | | |
| For | | 5,821,744 | 1,795 | 11 |
| Withhold | | 74,096 | 1 | |
| Total | | 5,895,840 | 1,796 | 11 |
| ----- | | | | |
| William J. Schneider | | | | |
| For | | -- | 1,795 | |
| Withhold | | -- | 1 | |
| Total | | -- | 1,796 | |
| ----- | | | | |
| Timothy R. Schwertfeger | | | | |
| For | | -- | 1,795 | |
| Withhold | | -- | 1 | |

| | | | |
|--|-----------|-------|----|
| Total | -- | 1,796 | |
| RATIFICATION OF AUDITORS WAS REACHED AS FOLLOWS: | | | |
| For | 5,800,663 | 1,795 | 11 |
| Against | 24,221 | -- | |
| Abstain | 70,956 | 1 | |
| Total | 5,895,840 | 1,796 | 11 |

APPROVAL OF THE TRUSTEES WAS REACHED AS FOLLOWS:

Robert P. Bremner

For
Withhold

Total

Lawrence H. Brown

For
Withhold

Total

Anne E. Impellizzeri

For
Withhold

Total

Peter R. Sawers

For
Withhold

Total

Judith M. Stockdale

For
Withhold

Total

William J. Schneider

For
Withhold

Total

Timothy R. Schwertfeger

For
Withhold

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Total

RATIFICATION OF AUDITORS WAS REACHED AS FOLLOWS:

For
Against
Abstain

Total

Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC)
Portfolio of
INVESTMENTS February 28, 2001 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION | OPTION PROV |
|---------------------------|--|----------------|
| \$ 1,000 | EDUCATION AND CIVIC ORGANIZATIONS -- 2.1% California Educational Facilities Authority, Revenue Bonds (University of the Pacific), Series 1998, 5.000%, 11/01/23 | 11/08 |
| 2,000 | California Educational Facilities Authority, Revenue Bonds (Santa Clara University), Series 1996, 5.750%, 9/01/26 | 9/06 |
| 3,000 | HEALTHCARE - 9.5% California Health Facilities Financing Authority, Insured Revenue Bonds (Sutter Health), Series 1998A, 5.375%, 8/15/30 | 8/08 |
| 1,500 | California Statewide Communities Development Authority, Sutter Health Obligated Group, Certificates of Participation: 5.500%, 8/15/19 | 8/09 |
| 4,000 | 6.125%, 8/15/22 | 8/02 |
| 4,800 | The Regents of the University of California, Hospital Revenue Bonds (UC Davis Medical Center), Series 1996, 5.750%, 7/01/24 | 7/06 |
| 1,000 | HOUSING/MULTIFAMILY - 6.1% ABAG Finance Authority for Nonprofit Corporations, Multifamily Housing Revenue Bonds (Civic Center Drive Apartments Project), 1999 Series A, 5.800%, 9/01/20 (Alternative Minimum Tax) | 9/09 |
| 3,650 | California Housing Finance Agency, Multi-Unit Rental Housing Revenue Bonds, Series 1992A-II, 6.625%, 2/01/24 (Alternative Minimum Tax) | 2/03 |
| 4,000 | The City of Los Angeles, California, Tax-Exempt Mortgage Revenue Refunding Bonds, Series 1993A (FHA-Insured Mortgage Loans - Section 8 Assisted Projects), 6.300%, 1/01/25 | 7/02 |
| 1,920 | HOUSING/SINGLE FAMILY - 6.4% California Housing Finance Agency, Single Family Mortgage Bonds II, 1997 Series A-1, 6.000%, 8/01/20 (Alternative Minimum Tax) | 2/07 |

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| | | |
|--------------|---|-----------|
| | California Housing Finance Agency, Home Mortgage Revenue Bonds, Series 1998E: | |
| 2,690 | 5.150%, 8/01/19 | 2/09 at 1 |
| 1,500 | 5.250%, 2/01/33 (Alternative Minimum Tax) | 2/09 at 1 |
| 3,000 | California Housing Finance Agency, Home Mortgage Revenue Bonds, Series 1998Q, 5.050%, 8/01/17 | 8/08 |
| ----- | | |
| | TAX OBLIGATION/GENERAL - 13.2% | |
| | State of California, Various Purpose General Obligation Bonds: | |
| 7,995 | 5.750%, 3/01/22 | 3/10 |
| 2,000 | 5.750%, 3/01/27 | 3/10 |
| 1,000 | 5.250%, 9/01/30 (DD, settling 3/02/01) | 9/10 |
| 1,225 | Fresno Unified School District (Fresno County, California), 1998 General Obligation Refunding Bonds, Series A, 6.550%, 8/01/20 | 2/13 |
| 2,000 | Los Angeles Unified School District, California, General Obligation Bonds, 1997 Series A, 5.000%, 7/01/21 | 7/08 |
| 500 | Los Angeles Unified School District, California, General Obligation Bonds, Election of 1997, 2000 Series D, 5.375%, 7/01/25 | 7/10 |
| 3,000 | Pomona Unified School District, General Obligation Refunding Bonds, Series 1997-A, 6.500%, 8/01/19 | 8/11 |
| ----- | | |
| | TAX OBLIGATION/LIMITED - 18.7% | |
| 4,000 | Anaheim Public Financing Authority, Subordinate Lease Revenue Bonds (Anaheim Public Improvements Project), 1997 Series C, 0.000%, 9/01/22 | No Opt |
| 2,000 | State Public Works Board of California, Lease Revenue Bonds (California Department of Health Services), 1999 Series A (Richmond Laboratory Project), 5.750%, 11/01/24 | 11/09 |
| 4,000 | Los Angeles County Metropolitan Transportation Authority, California, Proposition A Sales Tax Revenue Refunding Bonds, Series 1993-A, 5.000%, 7/01/21 | 7/03 |
| 4,000 | Norco Redevelopment Agency, 1992 Refunding Tax Allocation Bonds (Norco Redevelopment Project Area No. One), 6.250%, 3/01/19 | 3/02 |
| | | |
| PRINCIPAL | | OPTION |
| AMOUNT (000) | DESCRIPTION | PROV |
| ----- | | |
| | TAX OBLIGATION/LIMITED (continued) | |
| \$ 750 | Puerto Rico Highway and Transportation Authority, Transportation Revenue Bonds, Series B, 5.875%, 7/01/35 | 7/10 |
| 2,135 | City of San Buenaventura, California, 1993 Refunding Certificates of Participation (Capital Improvements Project), 5.500%, 1/01/17 | 1/03 |
| 9,500 | Redevelopment Agency of the City of San Jose, Tax Allocation Bonds (Merged Area Redevelopment Project), Series 1993, 4.750%, 8/01/24 | 2/04 |
| 3,600 | Santa Clara County Financing Authority, Lease Revenue Bonds (VMC Facility Replacement Project), 1994 Series A, 5.000%, 11/15/22 | 11/07 |

| | | |
|-------|---|--------|
| ----- | | |
| | TRANSPORTATION - 1.1% | |
| 1,545 | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Refunding Revenue Bonds, Issue 4, 6.200%, 5/01/20 (Alternative Minimum Tax) | 5/03 |
| ----- | | |
| | U.S. GUARANTEED - 18.2% | |
| 6,000 | Huntington Park Redevelopment Agency, Single Family Residential Mortgage Revenue Refunding Bonds, 1986 Series A, 8.000%, 12/01/19 | No Opt |
| 5,135 | Community Redevelopment Agency of the City of Palmdale, California, Single Family Mortgage Revenue Bonds, Series 1986A Restructured, 8.000%, 3/01/16 (Alternative Minimum Tax) | No Opt |
| 6,220 | County of Riverside, California, Single Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities Program), Issue A of 1987, 9.000%, 5/01/21 (Alternative Minimum Tax) | No Opt |
| 1,485 | City of San Jose, California, Single Family Mortgage Revenue Bonds, 1985 Series A, 9.500%, 10/01/13 | No Opt |
| ----- | | |
| | UTILITIES - 7.0% | |
| 4,000 | California Pollution Control Financing Authority, Pollution Control Revenue Bonds (Southern California Edison Company), 1992 Series B, 6.400%, 12/01/24 (Alternative Minimum Tax) | 12/02 |
| 4,000 | City of Chula Vista, Industrial Development Revenue Bonds (San Diego Gas and Electric Company), 1992 Series A, 6.400%, 12/01/27 (Alternative Minimum Tax) | 12/02 |
| 2,000 | Sacramento Municipal Utility District, California, Electric Revenue Refunding Bonds, 1992 Series A, 5.750%, 8/15/13 | 8/02 |
| ----- | | |
| | WATER AND SEWER - 16.9% | |
| 2,000 | Cucamonga County Water District (San Bernardino County, California), Certificates of Participation (1992 Water Facilities Refinancing), 6.300%, 9/01/12 | 9/01 |
| 1,000 | Cucamonga County Water District, California, Certificates of Participation, 2000 Water Shares Purchase, 5.125%, 9/01/35 (WI, settling 3/06/01) | 9/11 |
| 1,000 | East Bay Municipal Utility District (Alameda and Contra Costa Counties, California), Water System Subordinated Revenue Bonds, Series 1998, 4.750%, 6/01/28 | 6/08 |
| 7,000 | The City of Los Angeles, California, Wastewater System Revenue Bonds, Series 1993D, 4.700%, 11/01/19 | 11/03 |
| 3,400 | Public Facilities Financing Authority of the City of San Diego, California, Sewer Revenue Bonds, Series 1997A, 5.250%, 5/15/22 | 5/07 |
| 1,390 | City of Santa Monica, Wastewater Enterprise Revenue Bonds (Hyperion Project), 1993 Refunding Series, 4.500%, 1/01/15 | 1/04 |
| 5,000 | Wheeler Ridge-Maricopa Water Storage District (Kern County, California), 1996 Water Refunding Bonds, 5.700%, 11/01/15 | 11/06 |

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| | | | |
|-------|---------|---|------|
| | 3,425 | City of Woodland (Yolo County, California), Certificates of Participation (1992 Wastewater System Refunding Project), 5.500%, 3/01/18 | 3/03 |
| ----- | | | |
| \$ | 136,365 | Total Investments (cost \$130,485,439) - 99.2% | |
| ===== | | | |
| | | Other Assets Less Liabilities - 0.8% | |
| ----- | | | |
| | | Net Assets - 100% | |
| ===== | | | |

All of the bonds in the portfolio are either covered by Original Issue Insurance, Secondary Market Insurance or Portfolio Insurance, or are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, any of which ensure the timely payment of principal and interest.

* Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

** Ratings: Using the higher of Standard & Poor's or Moody's rating.

(DD) Security purchased on a delayed delivery basis.

(WI) Security purchased on a when-issued basis.

See accompanying notes to financial statements.

Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL)

Portfolio of
INVESTMENTS February 28, 2001 (Unaudited)

| | PRINCIPAL AMOUNT (000) | DESCRIPTION | OPTION PROV |
|-------|---------------------------|--|----------------|
| ----- | | | |
| | | EDUCATION AND CIVIC ORGANIZATIONS - 5.3% | |
| | | California Educational Facilities Authority, Revenue Bonds (Santa Clara University), Series 1996: | |
| \$ | 2,400 | 5.750%, 9/01/21 | 9/06 |
| | 3,000 | 5.750%, 9/01/26 | 9/06 |
| | 2,000 | California Educational Facilities Authority, Revenue Bonds (University of the Pacific), Series 2000, 5.875%, 11/01/20 | 11/10 |
| | | California Infrastructure and Economic Development Bank, Revenue Bonds (Asian Art Museum of San Francisco Project), Series 2000: | |
| | 1,295 | 5.500%, 6/01/19 | 6/10 |
| | 1,000 | 5.500%, 6/01/20 | 6/10 |
| | 2,500 | 5.250%, 6/01/30 | 6/07 |
| | 1,900 | The Regents of the University of California, University of California Housing System Revenue Bonds, Series A, 5.500%, 11/01/18 | 11/03 |

| HEALTHCARE - 4.2% | | |
|-------------------|--|------|
| 2,000 | California Health Facilities Financing Authority, Revenue Bonds (Kaiser Permanente), Series 1998A, 5.000%, 6/01/24 | 6/08 |
| 1,450 | California Health Facilities Financing Authority, Insured Health Facility Refunding Revenue Bonds (Mark Twain/St. Joseph's Healthcare), 1996 Series A, 6.000%, 7/01/19 | 7/06 |
| 5,000 | California Health Facilities Financing Authority, Insured Health Facility Refunding Revenue Bonds (Catholic Healthcare West), 1996 Series A, 6.000%, 7/01/25 | 7/06 |
| 2,500 | City of Oakland, California, Insured Revenue Bonds (1800 Harrison Foundation - Kaiser Permanente), Series 1999A, 6.000%, 1/01/29 | 1/10 |

| HOUSING/MULTIFAMILY - 6.4% | | |
|--|--|------|
| ABAG Finance Authority for Nonprofit Corporations, Multifamily Housing Revenue Bonds (Civic Center Drive Apartments Project), 1999 Series A: | | |
| 4,000 | 5.800%, 9/01/20 (Alternative Minimum Tax) | 9/09 |
| 1,370 | 5.875%, 3/01/32 (Alternative Minimum Tax) | 9/09 |
| 4,085 | The Community Redevelopment Agency of the City of Los Angeles, California, Multifamily Housing Revenue Refunding Bonds (Angelus Plaza Project), 1995 Series A, 7.400%, 6/15/10 | 6/05 |
| 7,400 | Housing Authority of the County of Santa Cruz, Tax-Exempt Multifamily Housing Revenue Refunding Bonds (GNMA Collateralized - Meadowview Apartments), Series 1993A, 6.125%, 5/20/28 | 5/03 |

| HOUSING/SINGLE FAMILY - 4.1% | | |
|------------------------------|--|-----------|
| 5,115 | California Housing Finance Agency, Single Family Mortgage Bonds II, 1997 Series C-2, 5.625%, 8/01/20 (Alternative Minimum Tax) | 8/07 at 1 |
| 1,395 | California Housing Finance Agency, Home Mortgage Revenue Bonds, 1996 Series E, 6.150%, 8/01/25 (Alternative Minimum Tax) | 2/06 |
| 2,000 | California Housing Finance Agency, Home Mortgage Revenue Bonds, Series 1998N, 5.250%, 8/01/29 | 2/09 |
| 15,000 | California Housing Finance Agency, Home Mortgage Revenue Bonds, Series 1999B, 0.000%, 2/01/30 (Alternative Minimum Tax) | 2/09 at |

| TAX OBLIGATION/GENERAL - 11.3% | | |
|--------------------------------|---|------|
| 1,460 | ABC Unified School District (Los Angeles County, California), General Obligation Bonds, Election of 1997, Series B, 5.750%, 8/01/16 | 8/10 |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION | OPTION PROV |
|---------------------------|---|----------------|
| 485 | State of California, General Obligation Veterans Welfare Bonds, Series 1997BH, 5.500%, 12/01/24 (Alternative Minimum Tax) | 12/03 |
| ----- | | |
| | TAX OBLIGATION/GENERAL (continued) | |
| | State of California, Various Purpose General Obligation Bonds: | |
| \$ 7,995 | 5.750%, 3/01/22 | 3/10 |
| 2,500 | 5.500%, 9/01/24 | 9/09 |
| 2,000 | 5.750%, 3/01/27 | 3/10 |
| 1,000 | 5.250%, 9/01/30 (DD, settling 3/02/01) | 9/10 |
| 2,575 | Calipatria Unified School District (Imperial County, California), General Obligation Bonds, 1996 Series A, 5.625%, 8/01/13 | 8/06 |
| 3,000 | Escondido Union High School District (San Diego County, California), General Obligation Bonds, Election of 1996, 5.700%, 11/01/10 | 11/06 |
| 1,500 | Hacienda La Puente Unified School District (Los Angeles County, California), General Obligation Bonds, Election of 2000, Series A, 5.250%, 8/01/25 | 8/10 |
| 1,750 | Lake Tahoe Unified School District (El Dorado County, California), General Obligation Bonds, Election of 1999, Series A, 5.250%, 8/01/24 | 8/09 |
| 2,000 | Los Angeles Unified School District, California, General Obligation Bonds, 1997 Series A, 5.000%, 7/01/21 | 7/08 |
| 4,950 | Murrieta Valley Unified School District (Riverside County, California) General Obligation Bonds, 1998 Series A, 0.000%, 9/01/21 | No Opt |
| 1,850 | Sacramento City Unified School District (Sacramento County, California), General Obligation Bonds, 2000 Series A, 5.750%, 7/01/18 | 7/09 |
| ----- | | |
| | TAX OBLIGATION/LIMITED - 42.8% | |
| 3,705 | Alameda County Public Facilities Corporation, California, Certificates of Participation (1991 Financing Project), 6.000%, 9/01/21 | 9/06 |
| 6,985 | County of Alameda, California, 1993 Refunding Certificates of Participation (Santa Rita Jail Project), 5.700%, 12/01/14 | 12/03 |
| | Anaheim Public Financing Authority, Subordinate Lease Revenue Bonds (Anaheim Public Improvements Project), 1997 Series C: | |
| 5,130 | 0.000%, 9/01/18 | No Opt |
| 8,000 | 0.000%, 9/01/21 | No Opt |
| 1,500 | 0.000%, 9/01/22 | No Opt |
| 1,800 | California Public School District Financing Authority, Lease Revenue Bonds (Richgrove Elementary School District Projects), Series 1996B, 5.800%, 9/01/16 | 9/06 |

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| | | |
|-------|---|-------|
| 5,250 | State Public Works Board of California, Lease Revenue Bonds (Department of Corrections), 1996 Series A (California Substance Abuse Treatment Facility and State Prison at Corcoran and Corcoran II), 5.250%, 1/01/21 | 1/06 |
| 3,450 | State Public Works Board of California, Lease Revenue Bonds (California Department of Health Services), 1999 Series A (Richmond Laboratory Project), 5.750%, 11/01/24 | 11/09 |
| 5,000 | Community Redevelopment Agency of the City of Compton, California, Refunding Tax Allocation Bonds (Compton Redevelopment Project), Series 1995A (Project Tax Revenues, Subventions and Housing Tax Revenues), 6.500%, 8/01/13 | 8/05 |
| 4,000 | County of Contra Costa, California, Certificates of Participation (Merrithew Memorial Hospital Replacement Project), Refunding Series of 1997, 5.500%, 11/01/22 | 11/07 |
| 3,000 | Galt Schools Joint Powers Authority (Sacramento County, California), 1997 Refunding Revenue Bonds (High School and Elementary School Facilities), Series A, 5.875%, 11/01/24 | 11/07 |
| 5,000 | Kern County Board of Education, California, Refunding Certificates of Participation, 1998 Series A, 5.200%, 5/01/28 | 5/08 |
| 5,000 | La Quinta Redevelopment Agency, California, Tax Allocation Refunding Bonds (La Quinta Redevelopment Project Area No. 1), Series 1998, 5.200%, 9/01/28 | 9/07 |
| 2,500 | Lancaster Housing Authority, California, Lease Refunding Revenue Bonds (Brierwood Mobilehome Park Project), Issue of 1999, 5.000%, 4/01/24 | 4/08 |
| 3,865 | Los Angeles County Metropolitan Transportation Authority, California, Proposition C Sales Tax Revenue Bonds, Second Senior Lien Series 2000A, 5.250%, 7/01/30 | 7/10 |

Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL) (cont
Portfolio of INVESTMENTS February 28, 2001 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION | OPTION PROV |
|---------------------------|---|----------------|
| ----- | | |
| | TAX OBLIGATION/LIMITED (continued) | |
| \$ 3,585 | Los Angeles County Transportation Commission, California, Sales Tax Revenue Refunding Bonds, Series 1991-B, 6.500%, 7/01/13 | 7/01 |
| 2,060 | Menifee Union School District (Riverside County, California), Certificates of Participation (1996 School Project), 6.125%, 9/01/24 | 9/06 |
| 2,690 | Norwalk Community Facilities Financing Authority (Los Angeles County, California), Tax Allocation Refunding Revenue Bonds, 1995 Series A, 6.000%, 9/01/15 | 9/05 |
| 4,000 | Oakland State Building Authority, Lease Revenue Bonds (Elihu M. Harris State Office Building), 1998 Series A, 5.000%, 4/01/23 | 4/08 |

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| | | |
|-------|--|-----------|
| 2,000 | Poway Redevelopment Agency, Tax Allocation Refunding Bonds (Paguay Redevelopment Project), Series 2000, 5.750%, 6/15/33 | 12/10 |
| 3,000 | Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series X, 5.000%, 7/01/22 | 7/03 at 1 |
| 1,500 | Puerto Rico Highway and Transportation Authority, Transportation Revenue Bonds, Series B, 5.875%, 7/01/35 | 7/10 |
| 9,000 | City of Redlands, California, Certificates of Participation (1993 Refunding of 1986 and 1987 Projects), 5.800%, 9/01/17 | 9/03 |
| 5,000 | San Bernardino Joint Powers Financing Authority, California, Refunding Certificates of Participation (Police Station, SouthValle Refundings and 201 Building Projects), 5.500%, 9/01/20 | 9/09 |
| 3,500 | San Francisco Bay Area Rapid Transit District, California, Sales Tax Revenue Bonds, Series 1999, 5.500%, 7/01/34 | 7/09 |
| 1,930 | Santa Margarita/Dana Point Authority, Orange County, California, Revenue Bonds (1994 Improvement Districts Nos. 1, 2, 2A and 8 General Obligation Bond Refinancing), Series A, 7.250%, 8/01/05 | No Opt |
| | South Orange County Public Financing Authority, California, Special Tax Revenue Bonds, 1994 Series C (Foothill Area): | |
| 3,000 | 8.000%, 8/15/08 | No Opt |
| 6,830 | 8.000%, 8/15/09 | No Opt |
| 3,855 | Redevelopment Agency of the City of Suisun (County of Solano, California), 1993 Tax Allocation Refunding Bonds (Suisun City Redevelopment Project), 5.900%, 10/01/23 | 10/03 |
| 5,450 | Visalia Public Finance Authority, California, Refunding Certificates of Participation (Motor Vehicle License Fee Enhancement), Series 1996A, 5.375%, 12/01/26 | 12/06 |
| 2,400 | Yorba Linda Redevelopment Agency (Orange County, California), 1998 Tax Allocation Parity Refunding Bonds (Yorba Linda Redevelopment Project), Series A, 0.000%, 9/01/28 | No Opt |
| ----- | | |
| | TRANSPORTATION - 2.3% | |
| 6,500 | Foothill/Eastern Transportation Corridor Agency, California, Toll Road Refunding Revenue Bonds, Series 1999, 0.000%, 1/15/18 | 1/10 at 6 |
| 3,750 | City of San Jose, California, Airport Revenue Bonds, Series of 1993, 5.700%, 3/01/18 (Alternative Minimum Tax) | 3/03 |
| ----- | | |
| | U.S. GUARANTEED - 7.5% | |
| 3,000 | Central Unified School District (Fresno County, California), General Obligation Bonds, Election of 1992, 5.625%, 3/01/18 (Pre-refunded to 3/01/03) | 3/03 |
| 4,320 | County of Riverside, California, Single Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities Program), Issue B of 1987, 8.625%, 5/01/16 (Alternative Minimum Tax) | No Opt |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION | OPTION PROV |
|---------------------------|--|----------------|
| 9,000 | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 8B, 6.100%, 5/01/20 (Pre-refunded to 5/01/04) | 5/04 |
| 1,570 | City of Torrance, Floating Rate Demand Hospital Revenue Bonds (Little Company of Mary Hospital), 1985 Series A, 7.100%, 12/01/15 (Pre-refunded to 12/01/05) | 12/05 |
| ----- | | |
| | UTILITIES - 7.0% | |
| \$ 3,740 | California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Southern California Edison Company), 1999 Series C, 5.450%, 9/01/29 | 9/09 |
| 3,215 | Modesto Irrigation District Financing Authority, Refunding Revenue Bonds, Series A, 6.000%, 10/01/15 | 10/06 |
| 1,790 | Sacramento City Financing Authority, California, 1999 Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects), 5.800%, 12/01/19 | 12/09 |
| 3,500 | Sacramento Municipal Utility District, California, Electric Revenue Bonds, 1996 Series J, 5.600%, 8/15/24 | 8/06 |
| 6,650 | Turlock Irrigation District, California, Revenue Refunding Bonds, Series 1992-A, 5.750%, 1/01/18 | 7/02 |
| ----- | | |
| | WATER AND SEWER - 8.2% | |
| 3,530 | Castaic Lake Water Agency, California, Refunding Revenue Certificates of Participation (Water System Improvement Projects), Series 1994A, 8.000%, 8/01/04 | No Opt |
| 2,975 | Chino Basin Regional Financing Authority, Revenue Bonds (Chino Basin Municipal Water District Sewer System Project), Series 1994, 6.000%, 8/01/16 | 8/04 |
| 1,000 | Cucamonga County Water District, California, Certificates of Participation, 2000 Water Shares Purchase, 5.125%, 9/01/35 (WI, settling 3/06/01) | 9/11 |
| 2,775 | Pomona Public Financing Authority, California, 1999 Revenue Bonds (Water Facilities Project), Series AC, 5.500%, 5/01/29 | 5/09 |
| 1,000 | Sacramento County Sanitation Districts Financing Authority, Revenue Bonds (Sacramento Regional County Sanitation District), Series 2000A, 5.500%, 12/01/20 | 6/10 |
| 2,900 | City and County of San Francisco, Sewer Revenue Refunding Bonds, Series 1992, 5.500%, 10/01/15 | 10/02 |
| 2,000 | South San Joaquin Irrigation District (San Joaquin County, | 1/03 |

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California), 1993 Refunding Revenue Certificates of Participation
(1987 Project and 1992 Project), 5.500%, 1/01/15

| | | |
|------------|--|-------|
| 5,410 | City of Tulare, California, 1996 Sewer Revenue Bonds, 5.750%, 11/15/21 | 11/06 |
| ----- | | |
| \$ 291,085 | Total Investments (cost \$259,682,835) - 99.1% | |
| ===== | | |
| | Other Assets Less Liabilities - 0.9% | |
| ----- | | |
| | Net Assets - 100% | |
| ===== | | |

All of the bonds in the portfolio are either covered by Original Issue Insurance, Secondary Market Insurance or Portfolio Insurance, or are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, any of which ensure the timely payment of principal and interest.

* Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

** Ratings: Using the higher of Standard & Poor's or Moody's rating.

(DD) Security purchased on a delayed delivery basis.

(WI) Security purchased on a when-issued basis.

See accompanying notes to financial statements.

Nuveen California Premium Income Municipal Fund (NCU)

Portfolio of
INVESTMENTS February 28, 2001 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION | OPTION PROV |
|---------------------------|--|----------------|
| ----- | | |
| | HEALTHCARE - 15.7% | |
| \$ 5,150 | California Health Facilities Financing Authority, Hospital Revenue Bonds (Downey Community Hospital), Series 1993, 5.750%, 5/15/15 | 5/03 |
| 4,000 | California Statewide Communities Development Authority, Hospital Revenue Certificates of Participation (Cedars-Sinai Medical Center), Series 1992, 6.500%, 8/01/15 | 8/02 |
| 8,100 | California Statewide Community Development Authority, Revenue Refunding Bonds (Sherman Oaks Project), Series 1998A, 5.000%, 8/01/22 | No Opt |
| 2,000 | City of Loma Linda, California, Hospital Revenue Bonds (Loma Linda University Medical Center Project), Series 1993-A, | 12/03 |

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6.000%, 12/01/06

| | | |
|--------------------------------|---|--------|
| HOUSING/MULTIFAMILY - 13.1% | | |
| 2,000 | California Statewide Communities Development Authority, Apartment Development Revenue Refunding Bonds (Irvine Apartment Communities, L.P.), Series 1998A, 5.250%, 5/15/25 (Mandatory put 5/15/13) | 7/08 |
| 7,325 | The Community Redevelopment Agency of the City of Los Angeles, California, Multifamily Housing Revenue Refunding Bonds (Angelus Plaza Project), 1995 Series A, 7.400%, 6/15/10 | 6/05 |
| 3,935 | City of Stanton, Multifamily Housing Revenue Bonds (Continental Gardens Apartments), Series 1997, 5.625%, 8/01/29 (Alternative Minimum Tax) (Mandatory put 8/01/09) | 8/07 |
| 2,000 | City of Vista, California, Mobile Home Park Subordinate Revenue Bonds (Vista Manor Mobile Home Park Project), Series 1999B, 5.750%, 3/15/29 | 3/09 |
| HOUSING/SINGLE FAMILY - 7.9% | | |
| 3,580 | California Housing Finance Agency, Single Family Mortgage Bonds II, 1997 Series A-1, 6.000%, 8/01/20 (Alternative Minimum Tax) | 2/07 |
| 1,000 | California Housing Finance Agency, Home Mortgage Revenue Bonds, 1994 Series A, 6.550%, 8/01/26 | 8/04 |
| 1,000 | California Housing Finance Agency, Home Mortgage Revenue Bonds, 1994 Series F-3, 6.100%, 8/01/15 (Alternative Minimum Tax) | 8/05 |
| 2,000 | California Housing Finance Agency, Home Mortgage Revenue Bonds, 1997 Series B, 6.000%, 8/01/16 (Alternative Minimum Tax) | 2/07 |
| 1,470 | California Rural Home Mortgage Finance Authority, Single Family Mortgage Revenue Bonds (Mortgage-Backed Securities Program), 1996 Series C, 7.500%, 8/01/27 (Alternative Minimum Tax) | No Opt |
| TAX OBLIGATION/GENERAL - 14.2% | | |
| 4,000 | State of California, General Obligation Veterans Welfare Bonds, Series BR, 5.300%, 12/01/29 (Alternative Minimum Tax) | 6/04 |
| 3,000 | Pomona Unified School District, General Obligation Refunding Bonds, Series 1997-A, 6.150%, 8/01/15 | 8/11 |
| 6,500 | Commonwealth of Puerto Rico, General Obligation Public Improvement Bonds of 2000, 5.750%, 7/01/21 | 7/10 |
| 3,000 | San Diego Unified School District, California, 2000 General Obligation Bonds, Election of 1998, Series B, 5.125%, 7/01/22 | 7/10 |
| TAX OBLIGATION/LIMITED - 23.1% | | |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION | OPTION PROV |
|---------------------------|---|----------------|
| 4,500 | Bonita Canyon Public Facilities Financing Authority, California, Community Facilities District No. 98-1 Special Tax Bonds, Series 1998, 5.375%, 9/01/28 | 3/01 |
| 5,920 | State Public Works Board of California, Lease Revenue Bonds (Department of Veterans Affairs of the State of California, Southern California Veterans Home - Chula Vista Facility), 1999 Series A, 5.600%, 11/01/19 | 11/09 |
| 2,500 | City of Carlsbad, California, Assessment District No. 96-1 Limited Obligation Improvement Bonds (Rancho Carillo), 5.500%, 9/02/28 | 3/01 |
| <hr/> | | |
| | TAX OBLIGATION/LIMITED (continued) | |
| \$ 1,000 | Carson Redevelopment Agency, California, Redevelopment Project Area No. 2, Refunding Tax Allocation Bonds, Series 1993, 5.875%, 10/01/09 | 10/03 |
| 2,160 | Community Redevelopment Financing Authority of the Community Redevelopment Agency of the City of Los Angeles, California, Grand Central Square Multifamily Housing Bonds, 1993 Series A, 5.750%, 12/01/13 (Alternative Minimum Tax) | 6/03 |
| 1,000 | Community Facilities District No. 88-1 of the City of Poway, California (Parkway Business Center), Special Tax Refunding Bonds, Series 1998, 6.500%, 8/15/09 | 8/08 |
| 1,200 | City of Richmond, Limited Obligation Refunding Improvement Bonds, Reassessment District No. 855 (Atlas Road West and Interchange), 6.600%, 9/02/19 | 3/01 |
| 6,200 | Sacramento City Finance Authority, Lease Revenue Refunding Bonds, Series 1993B, 5.400%, 11/01/20 | No Opt |
| | San Marcos Public Facilities Authority, California, Refunding Revenue Bonds, Series 1998: | |
| 1,500 | 5.800%, 9/01/18 | 9/08 |
| 2,000 | 5.800%, 9/01/27 | 9/08 |
| <hr/> | | |
| | TRANSPORTATION - 4.1% | |
| 2,750 | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 5, 6.500%, 5/01/24 (Alternative Minimum Tax) | 5/04 |
| 2,000 | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 10A, 5.700%, 5/01/26 (Alternative Minimum Tax) | 5/06 |
| <hr/> | | |
| | U.S. GUARANTEED - 10.2% | |
| 1,500 | ABAG Finance Authority for Nonprofit Corporations, California, Certificates of Participation (Stanford University Hospital), Series 1993, 5.250%, 11/01/20 | No Opt |

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| | | |
|------------|---|--------|
| 3,200 | State Public Works Board of the State of California, Lease Revenue Bonds (The Trustees of the California State University), 1994 Series A (Various California State University Projects), 6.375%, 10/01/14 (Pre-refunded to 10/01/04) | 10/04 |
| 4,100 | Imperial Irrigation District, California, Certificates of Participation (1994 Electric System Project), 6.000%, 11/01/15 (Pre-refunded to 11/01/04) | 11/04 |
| 2,565 | City of Torrance, Floating Rate Demand Hospital Revenue Bonds (Little Company of Mary Hospital), 1985 Series A, 7.100%, 12/01/15 (Pre-refunded to 12/01/05) | 12/05 |
| ----- | | |
| | UTILITIES - 3.2% | |
| 1,000 | California Pollution Control Financing Authority, Pollution Control Revenue Bonds (Southern California Edison Company), 1992 Series B, 6.400%, 12/01/24 (Alternative Minimum Tax) | 12/02 |
| 3,000 | Merced Irrigation District, California, 2001 Electric System Refunding Revenue Bonds (Electric System Project), 6.500%, 9/01/22 | 9/05 |
| ----- | | |
| | WATER AND SEWER - 7.5% | |
| 5,000 | City of Culver, California, Wastewater Facilities Refunding Revenue Bonds, 1999 Series A, 5.700%, 9/01/29 | 9/09 |
| 1,000 | Eastern Municipal Water District (Riverside County, California), Water and Sewer Revenue Refunding Certificates of Participation, Series 1991A, 6.300%, 7/01/20 | 7/01 |
| 1,750 | The Metropolitan Water District of Southern California, Water Revenue Bonds (1997 Authorization), Series A, 5.000%, 7/01/37 | 1/08 |
| 1,000 | Sacramento County Sanitation Districts Financing Authority, Revenue Bonds (Sacramento Regional County Sanitation District), Series 2000A, 5.750%, 12/01/09 | No Opt |
| ----- | | |
| \$ 116,905 | Total Investments (cost \$116,779,899) - 99.0% | |
| ===== | | |
| | Other Assets Less Liabilities - 1.0% | |
| ----- | | |
| | Net Assets - 100% | |
| ===== | | |

* Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

** Ratings: Using the higher of Standard & Poor's or Moody's rating.

*** Securities are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensures the timely payment of principal and interest. Securities are normally considered to be equivalent to AAA rated securities.

N/R Investment is not rated.

See accompanying notes to financial statements.

Statement of
NET ASSETS February 28, 2001 (Unaudited)

| | INSURED CALIFORNIA PREMIUM INCOME (NPC) |
|--|---|
| ----- | |
| ASSETS | |
| Investments in municipal securities, at market value | \$143,673,774 |
| Cash | 1,665,833 |
| Receivables: | |
| Interest | 2,091,673 |
| Investments sold | -- |
| Other assets | 17,905 |
| ----- | |
| Total assets | 147,449,185 |
| ----- | |
| LIABILITIES | |
| Cash overdraft | -- |
| Payable for investments purchased | 1,993,446 |
| Accrued expenses: | |
| Management fees | 72,279 |
| Other | 96,855 |
| Preferred share dividends payable | 3,388 |
| Common share dividends payable | 446,976 |
| ----- | |
| Total liabilities | 2,612,944 |
| ----- | |
| Net assets | \$144,836,241 |
| ===== | |
| Preferred shares, at liquidation value | \$ 45,000,000 |
| ===== | |
| Preferred shares outstanding | 1,800 |
| ===== | |
| Common shares outstanding | 6,425,832 |
| ===== | |
| Net asset value per Common share outstanding (net assets less Preferred shares at liquidation value, divided by Common shares outstanding) | \$ 15.54 |
| ===== | |

See accompanying notes to financial statements.

Statement of
OPERATIONS Six Months Ended February 28, 2001 (Unaudited)

INSURE
CALIFORNI
PREMIU
INCOM

| | |
|---|------------|
| INVESTMENT INCOME | \$3,955,38 |
| ----- | |
| EXPENSES | |
| Management fees | 460,98 |
| Preferred shares - auction fees | 55,78 |
| Preferred shares - dividend disbursing agent fees | 4,95 |
| Shareholders' servicing agent fees and expenses | 4,68 |
| Custodian's fees and expenses | 24,25 |
| Directors'/Trustees' fees and expenses | 99 |
| Professional fees | 7,65 |
| Shareholders' reports - printing and mailing expenses | 13,88 |
| Stock exchange listing fees | 8,01 |
| Investor relations expense | 8,06 |
| Portfolio insurance expense | 6,65 |
| Other expenses | 6,10 |
| ----- | |
| Total expenses before custodian fee credit | 602,04 |
| Custodian fee credit | (7,04) |
| ----- | |
| Net expenses | 594,99 |
| ----- | |
| Net investment income | 3,360,39 |
| ----- | |
| REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS | |
| Net realized gain (loss) from investment transactions | (44,99) |
| Change in net unrealized appreciation (depreciation) of investments | 3,202,94 |
| ----- | |
| Net gain from investments | 3,157,95 |
| ----- | |
| Net increase in net assets from operations | \$6,518,34 |
| ===== | |

See accompanying notes to financial statements.

Statement of
CHANGES IN NET ASSETS (Unaudited)

| | INSURED CALIFORNIA PREMIUM INCOME (NPC) | | INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) | |
|---|--|-----------------------|--|-----------------------|
| | SIX MONTHS ENDED 2/28/01 | YEAR ENDED 8/31/00 | SIX MONTHS ENDED 2/28/01 | YEAR ENDED 8/31/00 |
| ----- | | | | |
| OPERATIONS | | | | |
| Net investment income | \$ 3,360,390 | \$ 7,008,059 | \$ 6,375,498 | \$ 12,853,83 |
| Net realized gain (loss) from investment transactions | (44,994) | (2,371,822) | (357,136) | (491,13 |
| Change in net unrealized appreciation (depreciation) of investments | 3,202,947 | 4,320,269 | 5,987,783 | 5,822,86 |
| ----- | | | | |
| Net increase in net assets from operations | 6,518,343 | 8,956,506 | 12,006,145 | 18,185,56 |
| ----- | | | | |

DISTRIBUTIONS TO SHAREHOLDERS

From undistributed net investment income:

| | | | | |
|------------------------|-------------|-------------|-------------|------------|
| Common shareholders | (2,822,223) | (5,683,474) | (4,902,210) | (10,102,27 |
| Preferred shareholders | (762,418) | (1,550,742) | (1,547,767) | (3,064,02 |

| | | | | |
|---|-------------|-------------|-------------|------------|
| Decrease in net assets from distributions to shareholders | (3,584,641) | (7,234,216) | (6,449,977) | (13,166,30 |
|---|-------------|-------------|-------------|------------|

CAPITAL SHARE TRANSACTIONS

| | | | | |
|---|----|--------|--------|--------|
| Net proceeds from Common shares issued to shareholders due to reinvestment of distributions | -- | 89,174 | 54,529 | 124,69 |
|---|----|--------|--------|--------|

| | | | | |
|----------------------------|-----------|-----------|-----------|----------|
| Net increase in net assets | 2,933,702 | 1,811,464 | 5,610,697 | 5,143,95 |
|----------------------------|-----------|-----------|-----------|----------|

| | | | | |
|---------------------------------------|-------------|-------------|-------------|------------|
| Net assets at the beginning of period | 141,902,539 | 140,091,075 | 272,976,753 | 267,832,79 |
|---------------------------------------|-------------|-------------|-------------|------------|

| | | | | |
|---------------------------------|---------------|---------------|---------------|--------------|
| Net assets at the end of period | \$144,836,241 | \$141,902,539 | \$278,587,450 | \$272,976,75 |
|---------------------------------|---------------|---------------|---------------|--------------|

| | | | | |
|---|------------|------------|------------|-----------|
| Balance of undistributed net investment income at the end of period | \$ 275,616 | \$ 499,867 | \$ 351,015 | \$ 425,49 |
|---|------------|------------|------------|-----------|

See accompanying notes to financial statements.

Notes to

FINANCIAL STATEMENTS (Unaudited)

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The California Funds (the "Funds") covered in this report and their corresponding stock exchange symbols are Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC), Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL) and Nuveen California Premium Income Municipal Fund (NCU). Insured California Premium Income (NPC) and Insured California Premium Income 2 (NCL) are traded on the New York Stock Exchange while California Premium Income (NCU) is traded on the American Stock Exchange.

Each Fund seeks to provide current income exempt from both regular federal and California state income taxes by investing primarily in a diversified portfolio of municipal obligations issued by state and local government authorities within the state of California. The Funds are registered under the Investment Company Act of 1940 as closed-end, diversified management investment companies.

The following is a summary of significant accounting policies followed by the Funds in the preparation of their financial statements in accordance with accounting principles generally accepted in the United States.

SECURITIES VALUATION

The prices of municipal bonds in each Fund's investment portfolio are provided by a pricing service approved by the Fund's Board of Directors/Trustees. When price quotes are not readily available (which is usually the case for municipal securities), the pricing service establishes fair market value based on yields or prices of municipal bonds of comparable quality, type of issue, coupon,

maturity and rating, indications of value from securities dealers and general market conditions. Temporary investments in securities that have variable rate and demand features qualifying them as short-term securities are valued at amortized cost, which approximates market value.

SECURITIES TRANSACTIONS

Securities transactions are recorded on a trade date basis. Realized gains and losses from such transactions are determined on the specific identification method. Securities purchased or sold on a when-issued or delayed delivery basis may have extended settlement periods. The securities so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets in a separate account with a current value at least equal to the amount of the when-issued and delayed delivery purchase commitments. At February 28, 2001, Insured California Premium Income (NPC) and Insured California Premium Income 2 (NCL) each had outstanding delayed delivery and when-issued purchase commitments of \$1,993,446. There were no such outstanding purchase commitments in California Premium Income (NCU).

INVESTMENT INCOME

Interest income is determined on the basis of interest accrued, adjusted for amortization of premiums and accretion of discounts on long-term debt securities.

INCOME TAXES

Each Fund is a separate taxpayer for federal income tax purposes. Each Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net investment income to its shareholders. Therefore, no federal income tax provision is required. Furthermore, each Fund intends to satisfy conditions which will enable interest from municipal securities, which is exempt from regular federal and California state income taxes, to retain such tax-exempt status when distributed to shareholders of the Funds.

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS

Tax-exempt net investment income is declared monthly as a dividend and payment is made or reinvestment is credited to shareholder accounts on the first business day after month end. Net realized capital gains and/or market discount from investment transactions are distributed to shareholders not less frequently than annually. Furthermore, capital gains are distributed only to the extent they exceed available capital loss carryforwards.

Notes to

FINANCIAL STATEMENTS (Unaudited) (continued)

Distributions to shareholders of tax-exempt net investment income, net realized capital gains and/or market discount, if any, are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States. Accordingly, temporary over-distributions as a result of these differences may occur and will be classified as either distributions in excess of net investment income, distributions in excess of net realized gains and/or distributions in excess of net ordinary

taxable income from investment transactions, where applicable.

PREFERRED SHARES

The Funds have issued and outstanding \$25,000 stated value Preferred shares. Each Fund's Preferred shares are issued in one or more Series. The dividend rate may change every seven days, as set by the Auction Agent. The number of shares outstanding, by Series and in total, for each Fund is as follows:

| | INSURED CALIFORNIA PREMIUM INCOME (NPC) | INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) | CALIFORNIA PREMIUM INCOME (NCU) |
|-------------------|---|---|--|
| ----- | | | |
| Number of shares: | | | |
| Series M | -- | -- | 1,720 |
| Series T | 1,800 | 1,900 | -- |
| Series Th | -- | 1,900 | -- |
| ----- | | | |
| Total | 1,800 | 3,800 | 1,720 |
| ===== | | | |

INSURANCE

Insured California Premium Income (NPC) and Insured California Premium Income 2 (NCL) invest in municipal securities which are either covered by insurance or are backed by an escrow or trust account containing sufficient U.S. Government or U.S. Government agency securities, both of which ensure the timely payment of principal and interest. Each insured municipal security is covered by Original Issue Insurance, Secondary Market Insurance or Portfolio Insurance. Such insurance does not guarantee the market value of the municipal securities or the value of the Funds' shares. Original Issue Insurance and Secondary Market Insurance remain in effect as long as the municipal securities covered thereby remain outstanding and the insurer remains in business, regardless of whether the Funds ultimately dispose of such municipal securities. Consequently, the market value of the municipal securities covered by Original Issue Insurance or Secondary Market Insurance may reflect value attributable to the insurance. Portfolio Insurance is effective only while the municipal securities are held by the Funds. Accordingly, neither the prices used in determining the market value of the underlying municipal securities nor the net asset value of the Funds' shares include value, if any, attributable to the Portfolio Insurance. Each policy of the Portfolio Insurance does, however, give the Funds the right to obtain permanent insurance with respect to the municipal security covered by the Portfolio Insurance policy at the time of its sale.

DERIVATIVE FINANCIAL INSTRUMENTS

The Funds may invest in transactions in certain derivative financial instruments including futures, forward, swap and option contracts, and other financial instruments with similar characteristics. Although the Funds are authorized to invest in such financial instruments, and may do so in the future, they did not make any such investments during the six months ended February 28, 2001.

CUSTODIAN FEE CREDIT

Each Fund has an arrangement with the custodian bank whereby certain custodian fees and expenses are reduced by credits earned on each Fund's cash on deposit

with the bank. Such deposit arrangements are an alternative to overnight investments.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results may differ from those estimates.

AUDIT GUIDE

In November 2000, the American Institute of Certified Public Accountants (AICPA) issued a revised version of the AICPA Audit and Accounting Guide for Investment Companies (the "Guide"). The Guide is effective for annual financial statements issued for fiscal years beginning after December 15, 2000. It is not anticipated that the adoption of the Guide will have a significant effect on the financial statements.

2. FUND SHARES

Transactions in Common shares were as follows:

| | INSURED CALIFORNIA PREMIUM INCOME (NPC) | | INSURED C PREMIUM IN |
|--|--|-----------------------|---------------------------|
| | SIX MONTHS ENDED 2/28/01 | YEAR ENDED 8/31/00 | SIX MONTHS END 2/28/01 |
| Shares issued to shareholders due to reinvestment of distributions | -- | 6,092 | 3,745 |
| | | | CALI PREMIUM |
| | | | SIX MONTHS END 2/28/01 |
| Shares issued to shareholders due to reinvestment of distributions | | | 6,489 |

3. DISTRIBUTIONS TO COMMON SHAREHOLDERS

The Funds declared Common share dividend distributions from their tax-exempt net investment income which were paid April 2, 2001, to shareholders of record on March 15, 2001, as follows:

| INSURED CALIFORNIA PREMIUM INCOME | INSURED CALIFORNIA PREMIUM INCOME 2 | CALIFORNIA PREMIUM INCOME |
|--|--|---------------------------------|
|--|--|---------------------------------|

| | (NPC) | (NCL) | (NCU) |
|--------------------|----------|----------|----------|
| Dividend per share | \$.0695 | \$.0645 | \$.0640 |

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

4. SECURITIES TRANSACTIONS

Purchases and sales (including maturities) of investments in long-term municipal securities and short-term municipal securities during the six months ended February 28, 2001, were as follows:

| | INSURED CALIFORNIA PREMIUM INCOME (NPC) | INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) | CALIFORNIA PREMIUM INCOME (NCU) |
|---------------------------------|---|---|--|
| Purchases: | | | |
| Long-term municipal securities | \$10,658,974 | \$25,710,780 | \$12,355,963 |
| Short-term municipal securities | -- | 1,300,000 | -- |
| Sales and maturities: | | | |
| Long-term municipal securities | 10,689,043 | 25,957,585 | 11,728,134 |
| Short-term municipal securities | -- | 1,300,000 | -- |

At February 28, 2001, the identified cost of investments owned for federal income tax purposes were as follows:

| | INSURED CALIFORNIA PREMIUM INCOME (NPC) | INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) | CALIFORNIA PREMIUM INCOME (NCU) |
|--|---|---|--|
| | \$132,176,031 | \$261,883,087 | \$116,779,899 |

At February 28, 2001, the Funds' last fiscal year end, the Funds had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as follows:

| | INSURED CALIFORNIA PREMIUM INCOME (NPC) | INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) | CALIFORNIA PREMIUM INCOME (NCU) |
|------------------|---|---|--|
| Expiration year: | | | |

| | | | | |
|-------|----|-----------|-------------|-------------|
| 2003 | \$ | -- | \$ 323,810 | \$1,766,975 |
| 2004 | | -- | 4,345,091 | 2,742,449 |
| 2005 | | 165,897 | 1,283,948 | 1,049,994 |
| 2006 | | -- | -- | -- |
| 2007 | | -- | -- | -- |
| 2008 | | 681,230 | -- | -- |
| ----- | | | | |
| Total | | \$847,127 | \$5,952,849 | \$5,559,418 |
| ===== | | | | |

5. UNREALIZED APPRECIATION (DEPRECIATION)

Gross unrealized appreciation and gross unrealized depreciation of investments for federal income tax purposes at February 28, 2001, were as follows:

| | INSURED CALIFORNIA PREMIUM INCOME (NPC) | INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) | CALIFORNIA PREMIUM INCOME (NCU) |
|-----------------------------|---|---|--|
| ----- | | | |
| Gross unrealized: | | | |
| appreciation | \$13,303,963 | \$17,174,076 | \$5,337,609 |
| depreciation | (1,806,220) | (2,922,936) | (1,304,286) |
| ----- | | | |
| Net unrealized appreciation | \$11,497,743 | \$14,251,140 | \$4,033,323 |
| ===== | | | |

6. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Under the Funds' investment management agreements with Nuveen Advisory Corp. (the "Adviser"), a wholly owned subsidiary of The John Nuveen Company, each Fund pays an annual management fee, payable monthly, at the rates set forth below, which are based upon the average daily net assets of each Fund as follows:

| AVERAGE DAILY NET ASSETS | MANAGEMENT FEE |
|---------------------------------|----------------|
| For the first \$125 million | .6500 of 1% |
| For the next \$125 million | .6375 of 1 |
| For the next \$250 million | .6250 of 1 |
| For the next \$500 million | .6125 of 1 |
| For the next \$1 billion | .6000 of 1 |
| For net assets over \$2 billion | .5875 of 1 |
| ===== | |

The fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Funds pay no compensation directly to those of its Directors/Trustees who are affiliated with the Adviser or to their officers, all of whom receive remuneration for their services to the Funds from the Adviser or its affiliates.

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

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7. COMPOSITION OF NET ASSETS

At February 28, 2001, net assets consisted of:

| | INSURED CALIFORNIA PREMIUM INCOME (NPC) | INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) |
|--|---|---|
| Preferred shares, \$25,000 stated value per share, at liquidation value | \$ 45,000,000 | \$ 95,000,000 |
| Common shares, \$.01 par value per share | 64,258 | 126,312 |
| Paid-in surplus | 88,890,745 | 175,168,968 |
| Balance of undistributed net investment income | 275,616 | 351,015 |
| Accumulated net realized gain (loss) from investment transactions | (2,582,713) | (8,510,237) |
| Net unrealized appreciation of investments | 13,188,335 | 16,451,392 |
| Net assets | \$144,836,241 | \$278,587,450 |
| Authorized shares: | | |
| Common | 200,000,000 | 200,000,000 |
| Preferred | 1,000,000 | 1,000,000 |

Financial

HIGHLIGHTS (Unaudited)

Selected data for a Common share outstanding throughout each period:

| | INVESTMENT OPERATIONS | | | | LESS | |
|--|---------------------------------|-----------------------------|---|--------|---|---|
| | BEGINNING NET ASSET VALUE | NET INVESTMENT INCOME | NET REALIZED/ UNREALIZED INVESTMENT GAIN (LOSS) | TOTAL | NET INVESTMENT INCOME TO COMMON SHARE- HOLDERS | NET INVESTMENT INCOME TO PREFERRED SHARE- HOLDERS+ |
| INSURED CALIFORNIA PREMIUM INCOME (NPC) YEAR ENDED 8/31: | | | | | | |
| 2001 (a) | \$15.08 | \$.52 | \$.50 | \$1.02 | \$ (.44) | \$ (.12) |
| 2000 | 14.81 | 1.09 | .30 | 1.39 | (.88) | (.24) |
| 1999 | 16.31 | 1.09 | (1.56) | (.47) | (.83) | (.20) |
| 1998 | 15.39 | 1.03 | .92 | 1.95 | (.81) | (.22) |
| 1997 | 14.46 | 1.04 | .93 | 1.97 | (.81) | (.23) |
| 1996 | 14.41 | 1.05 | .02 | 1.07 | (.79) | (.23) |
| INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) YEAR ENDED 8/31: | | | | | | |
| 2001 (a) | 14.09 | .50 | .45 | .95 | (.39) | (.12) |
| 2000 | 13.70 | 1.02 | .41 | 1.43 | (.80) | (.24) |

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| | | | | | | |
|------|-------|------|--------|-------|-------|-------|
| 1999 | 14.82 | 1.01 | (1.14) | (.13) | (.78) | (.21) |
| 1998 | 14.06 | .98 | .77 | 1.75 | (.75) | (.24) |
| 1997 | 13.27 | .99 | .77 | 1.76 | (.74) | (.23) |
| 1996 | 13.01 | 1.00 | .24 | 1.24 | (.74) | (.24) |

CALIFORNIA PREMIUM
INCOME (NCU)
YEAR ENDED 8/31:

| | | | | | | |
|----------|-------|------|--------|-------|-------|-------|
| 2001 (a) | 13.34 | .50 | .39 | .89 | (.40) | (.13) |
| 2000 | 13.19 | 1.03 | .14 | 1.17 | (.79) | (.23) |
| 1999 | 14.30 | 1.00 | (1.13) | (.13) | (.77) | (.21) |
| 1998 | 13.60 | .98 | .70 | 1.68 | (.74) | (.24) |
| 1997 | 12.70 | .99 | .89 | 1.88 | (.74) | (.24) |
| 1996 | 12.43 | .98 | .27 | 1.25 | (.74) | (.24) |

TOTAL RETURNS

| | ENDING NET ASSET VALUE | ENDING MARKET VALUE | BASED ON MARKET VALUE** | BASED ON NET ASSET VALUE** |
|--|---------------------------------|---------------------------|----------------------------------|--|
| INSURED CALIFORNIA PREMIUM INCOME (NPC) YEAR ENDED 8/31: | | | | |
| 2001 (a) | \$15.54 | \$15.0700 | 6.62% | 6.03% |
| 2000 | 15.08 | 14.5625 | .84 | 8.34 |
| 1999 | 14.81 | 15.3750 | 1.62 | (4.35) |
| 1998 | 16.31 | 15.9375 | 15.85 | 11.51 |
| 1997 | 15.39 | 14.5000 | 10.69 | 12.30 |
| 1996 | 14.46 | 13.8750 | 15.39 | 5.83 |

INSURED CALIFORNIA
PREMIUM INCOME 2 (NCL)
YEAR ENDED 8/31:

| | | | | |
|----------|-------|---------|-------|--------|
| 2001 (a) | 14.53 | 14.3000 | 5.05 | 5.96 |
| 2000 | 14.09 | 14.0000 | 3.58 | 9.21 |
| 1999 | 13.70 | 14.3750 | 2.27 | (2.50) |
| 1998 | 14.82 | 14.8125 | 15.70 | 10.95 |
| 1997 | 14.06 | 13.5000 | 14.36 | 11.82 |
| 1996 | 13.27 | 12.5000 | 15.36 | 7.76 |

CALIFORNIA PREMIUM INCOME (NCU)
YEAR ENDED 8/31:

| | | | | |
|----------|-------|---------|-------|--------|
| 2001 (a) | 13.70 | 14.0000 | 8.35 | 5.77% |
| 2000 | 13.34 | 13.3125 | 5.93 | 7.63 |
| 1999 | 13.19 | 13.3750 | .81 | (2.57) |
| 1998 | 14.30 | 14.0000 | 12.54 | 10.83 |
| 1997 | 13.60 | 13.1250 | 17.16 | 13.20 |
| 1996 | 12.70 | 11.8750 | 17.51 | 8.15 |

RATIOS/SUPPLEMENTAL DATA

BEFORE CREDIT

| ENDING NET ASSETS (000) | RATIO OF EXPENSES TO AVERAGE NET ASSETS APPLICABLE TO COMMON SHARES++ | RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS APPLICABLE TO COMMON SHARES++ | RATIO OF EXPENSES TO AVERAGE NET ASSETS INCLUDING PREFERRED++ | RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS INCLUDING PREFERRED++ |
|---|---|--|---|--|
| INSURED CALIFORNIA PREMIUM INCOME (NPC) YEAR ENDED 8/31: | | | | |
| 2001 (a) | \$144,836 | 1.23%* | 6.88%* | .85%* 4.72%* |
| 2000 | 141,903 | 1.25 | 7.65 | .84 5.13 |
| 1999 | 140,091 | 1.22 | 6.81 | .85 4.74 |
| 1998 | 149,478 | 1.22 | 6.49 | .85 4.50 |
| 1997 | 143,571 | 1.25 | 6.96 | .85 4.74 |
| 1996 | 137,610 | 1.26 | 7.08 | .85 4.81 |

INSURED CALIFORNIA PREMIUM INCOME 2 (NCL)
YEAR ENDED 8/31:

| | | | | |
|----------|---------|-------|-------|------------|
| 2001 (a) | 278,587 | 1.25* | 7.13* | .82* 4.67* |
| 2000 | 272,977 | 1.28 | 7.65 | .81 4.88 |
| 1999 | 267,833 | 1.24 | 6.86 | .82 4.53 |
| 1998 | 281,399 | 1.25 | 6.79 | .82 4.46 |
| 1997 | 271,883 | 1.28 | 7.24 | .83 4.67 |
| 1996 | 261,851 | 1.29 | 7.39 | .83 4.73 |

CALIFORNIA PREMIUM INCOME (NCU)
YEAR ENDED 8/31:

| | | | | |
|----------|---------|-------|-------|------------|
| 2001 (a) | 122,036 | 1.36* | 7.42* | .88* 4.78* |
| 2000 | 119,878 | 1.38 | 8.09 | .87 5.10 |
| 1999 | 118,877 | 1.30 | 7.08 | .85 4.62 |
| 1998 | 125,066 | 1.32 | 7.02 | .86 4.57 |
| 1997 | 120,995 | 1.34 | 7.47 | .86 4.76 |
| 1996 | 115,869 | 1.39 | 7.63 | .88 4.83 |

RATIOS/SUPPLEMENTAL DATA

AFTER CREDIT***

| RATIO OF EXPENSES TO AVERAGE NET ASSETS APPLICABLE | RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS APPLICABLE | RATIO OF EXPENSES TO AVERAGE NET ASSETS INCLUDING PREFERRED++ | RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS INCLUDING PREFERRED++ | PORTFOLIO |
|--|---|---|--|-----------|
|--|---|---|--|-----------|

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| | TO COMMON SHARES++ | TO COMMON SHARES++ | INCLUDING PREFERRED++ | INCLUDING PREFERRED++ | TURNOVER RATE |
|--|-----------------------|-----------------------|--------------------------|--------------------------|------------------|
| INSURED CALIFORNIA PREMIUM INCOME (NPC) YEAR ENDED 8/31: | | | | | |
| 2001 (a) | 1.22%* | 6.89%* | .84%* | 4.73%* | 8% |
| 2000 | 1.24 | 7.66 | .83 | 5.13 | 27 |
| 1999 | 1.22 | 6.82 | .85 | 4.74 | 50 |
| 1998 | 1.22 | 6.49 | .85 | 4.50 | 2 |
| 1997 | 1.25 | 6.96 | .85 | 4.74 | 9 |
| 1996 | 1.26 | 7.08 | .85 | 4.81 | 9 |

| | | | | | |
|--|-------|-------|------|-------|----|
| INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) YEAR ENDED 8/31: | | | | | |
| 2001 (a) | 1.24* | 7.14* | .81* | 4.67* | 9 |
| 2000 | 1.26 | 7.66 | .81 | 4.89 | 26 |
| 1999 | 1.24 | 6.86 | .82 | 4.53 | 35 |
| 1998 | 1.25 | 6.79 | .82 | 4.46 | 13 |
| 1997 | 1.28 | 7.24 | .83 | 4.67 | 24 |
| 1996 | 1.29 | 7.39 | .83 | 4.73 | 27 |

| | | | | | |
|--|-------|-------|------|-------|----|
| CALIFORNIA PREMIUM INCOME (NCU) YEAR ENDED 8/31: | | | | | |
| 2001 (a) | 1.35* | 7.44* | .87* | 4.79* | 10 |
| 2000 | 1.36 | 8.10 | .86 | 5.10 | 19 |
| 1999 | 1.30 | 7.08 | .85 | 4.63 | 36 |
| 1998 | 1.32 | 7.02 | .86 | 4.57 | 21 |
| 1997 | 1.34 | 7.47 | .86 | 4.76 | 44 |
| 1996 | 1.39 | 7.63 | .88 | 4.83 | 25 |

MUNICIPAL AUCTION RATE CUMULATIVE
PREFERRED STOCK AT END OF PERIOD

| | AGGREGATE AMOUNT OUTSTANDING (000) | LIQUIDATION AND MARKET VALUE PER SHARE | ASSET COVERAGE PER SHARE |
|--|---|--|--------------------------------|
| INSURED CALIFORNIA PREMIUM INCOME (NPC) YEAR ENDED 8/31: | | | |
| 2001 (a) | \$45,000 | \$25,000 | \$80,465 |
| 2000 | 45,000 | 25,000 | 78,835 |
| 1999 | 45,000 | 25,000 | 77,828 |
| 1998 | 45,000 | 25,000 | 83,043 |
| 1997 | 45,000 | 25,000 | 79,762 |
| 1996 | 45,000 | 25,000 | 76,450 |

INSURED CALIFORNIA
PREMIUM INCOME 2 (NCL)

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YEAR ENDED 8/31:

| | | | |
|----------|--------|--------|--------|
| 2001 (a) | 95,000 | 25,000 | 73,312 |
| 2000 | 95,000 | 25,000 | 71,836 |
| 1999 | 95,000 | 25,000 | 70,482 |
| 1998 | 95,000 | 25,000 | 74,052 |
| 1997 | 95,000 | 25,000 | 71,548 |
| 1996 | 95,000 | 25,000 | 68,908 |

CALIFORNIA PREMIUM
INCOME (NCU)

YEAR ENDED 8/31:

| | | | |
|----------|--------|--------|--------|
| 2001 (a) | 43,000 | 25,000 | 70,951 |
| 2000 | 43,000 | 25,000 | 69,696 |
| 1999 | 43,000 | 25,000 | 69,115 |
| 1998 | 43,000 | 25,000 | 72,713 |
| 1997 | 43,000 | 25,000 | 70,346 |
| 1996 | 43,000 | 25,000 | 67,365 |

* Annualized.

** Total Investment Return on Market Value is the combination of reinvested dividend income, reinvested capital gains distributions, if any, and changes in stock price per share. Total Return on Net Asset Value is the combination of reinvested dividend income, reinvested capital gains distributions, if any, and changes in net asset value per share. Total returns are not annualized.

*** After custodian fee credit, where applicable.

+ The amounts shown are based on Common share equivalents.

++ Ratios do not reflect the effect of dividend payments to Preferred shareholders; income ratios reflect income earned on assets attributable to Preferred shares.

(a) For the six months ended February 28, 2001.

See accompanying notes to financial statements.

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AUTOMATICALLY

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Your Nuveen Exchange-Traded Fund allows you to conveniently reinvest dividends and/or capital gains distributions in additional fund shares.

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automatically, and watch your investment grow through the power of tax-free compounding. Just like dividends or distributions in cash, there may be times when income or capital gains taxes may be payable on dividends or distributions that are reinvested.

It is important to note that an automatic reinvestment plan does not ensure a profit, nor does it protect you against loss in a declining market.

EASY AND CONVENIENT

To make recordkeeping easy and convenient, each month you'll receive a statement showing your total dividends and distributions, the date of investment, the shares acquired and the price per share, and the total number of shares you own.

HOW SHARES ARE PURCHASED

The shares you acquire by reinvesting will either be purchased on the open market or newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on dividends and distributions awaiting reinvestment. Because the market price of shares may increase before purchases are completed, the average purchase price per share may exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. A pro rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

FLEXIBILITY

You may change your distribution option or withdraw from the Plan at any time, should your needs or situation change. Should you withdraw, you can receive a certificate for all whole shares credited to your reinvestment account and cash payment for fractional shares, or cash payment for all reinvestment account shares, less brokerage commissions and a \$2.50 service fee.

You can reinvest whether your shares are registered in your name, or in the name of a brokerage firm, bank, or other nominee. Ask your investment advisor if his or her firm will participate on your behalf. Participants whose shares are registered in the name of one firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

The Fund reserves the right to amend or terminate the Plan at any time. Although the Fund reserves the right to amend the Plan to include a service charge payable by the participants, there is no direct service charge to participants in the Plan at this time.

For more information on the Nuveen Automatic Reinvestment Plan or to enroll in or withdraw from the Plan, speak with your financial advisor or call us at (800) 257-8787.

Fund INFORMATION

BOARD OF DIRECTORS/TRUSTEES

Robert P. Bremner
Lawrence H. Brown
Anne E. Impellizzeri
Peter R. Sawers

William J. Schneider
Timothy R. Schwertfeger
Judith M. Stockdale

FUND MANAGER

Nuveen Advisory Corp.
333 West Wacker Drive
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CUSTODIAN, TRANSFER AGENT

AND SHAREHOLDER SERVICES
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LEGAL COUNSEL

Morgan, Lewis &
Bockius LLP
Washington, D.C.

INDEPENDENT AUDITORS

Ernst & Young LLP
Chicago, IL

Each Fund intends to repurchase shares of its own common or preferred stock in the future at such times and in such amounts as is deemed advisable. No shares were repurchased during the 6-month period ended February 28, 2001. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

Serving Investors
FOR GENERATIONS

PHOTO OF: John Nuveen, Sr.

For over a century, generations of Americans have relied on Nuveen Investments to help them grow and keep the money they've earned. Financial advisors, investors and their families have associated Nuveen Investments with quality, expertise and dependability since 1898. That is why financial advisors have entrusted the assets of more than 1.3 million investors to Nuveen.

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