

Analysis of Application of Climate-Based Insurance in Management of Drought Damage

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Abstract

The present research has first planned a climate-based drought insurance program for the wheat production by dry farming in the city of Mashhad. It later has compared the program with the method which is currently being applied by the Agriculture Insurance Fund. Results indicated that applying climate-based insurance in compiling drought insurance pattern would result in reducing insurance inefficiencies such as moral hazards and incompatible selection. With regard to the results achieved thereby, and by making a comparison between the present drought insurance and the method applied in the present research, mechanisms proposed such as: preparing the ground for utilization of climate-based pattern in the management of drought risk through collecting the required statistical data and conducting complementary research in compilation of regulatory framework needed for offering this type of insurance services.

Keywords:

Drought, Climate-Based Insurance, Rainfall, Maximum Liability of Insurer, Premium Rate, Indemnity

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