

## **WEATHER INDEX-BASED CROP INSURANCE SCHEMES: A CASE STUDY IN BOLIVIA**

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### **ABSTRACT**

Weather index-based insurance schemes are novel financial instruments for agricultural risks management. A key difference between these insurance schemes and more traditional ones is the fact that the first can cope more effectively with adverse selection and moral hazard problems, yielding less expensive insurance contracts. This situation makes weather index-based insurance schemes more attractive than traditional schemes in regions where a large part of agriculture is poor and, at the same time, there is a perspective of creating an agricultural insurance market, such as our country. In Bolivia, these insurance schemes are still under developed, but their promotion through public efforts can help reduce vulnerability to food insecurity and promote inclusive economic development. This document presents successful experiences in developing this kind of insurance schemes in Latin America, based on which, we assess its feasibility in Bolivia. For this, we present details of the main technical characteristics of these schemes and develop proposals of insurance policies for two crops in Anzaldo (Municipality of Cochabamba): medium-cycle potato and wheat.

**Keywords:** Weather Index, Food Security, Insurance Market, Agricultural Insurance, Economic Development.