

Representation & Warranty Insurance in Real Estate – What Is Changing and Why It Matters

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Representation & Warranty Insurance (RWI) is no longer just for merger and acquisition transactions—it is becoming a regular tool in **real estate acquisitions and sales**. For families, funds, and developers, RWI can provide peace of mind, speed up closings, and reduce the need for large escrows or seller indemnities.

What is Representation and Warranty Insurance (RWI)?

Representation and Warranty Insurance is a policy that protects buyers (and sometimes sellers) when statements made in a purchase agreement turn out to be inaccurate. In real estate transactions, those statements (“reps and warranties”) often cover:

- Rent rolls and tenant leases
- Property condition and maintenance
- Environmental matters and compliance
- Title and zoning representations

If one of those statements is wrong and it causes a financial loss, RWI can help cover it—reducing or even eliminating the need for the seller to give a large indemnity or escrow.

Why it is gaining popularity in real estate deals?

- **Faster closings & cleaner exits:** Sellers can walk away with fewer post-closing obligations, and buyers get extra comfort if an issue arises.
- **Competitive advantage:** In a bidding situation, having RWI in place can make an offer more attractive to the seller.
- **Portfolio and large-asset deals:** RWI is being used more frequently in portfolio acquisitions, REIT transactions, and high-value single-asset sales.

What is new in 2025

- **Premiums and deductibles are steadyng:** After a period of low pricing, rates have leveled off

and may slowly rise. Deductibles ("retentions") are often about 0.25% of the purchase price, with the option to drop after the first year.

- **More claims—and bigger ones:** Insurers are paying out more on older policies, which means they are getting stricter in reviewing deals before agreeing to cover them.
- **Extra focus on environmental risk (PFAS chemicals):** Recent [EPA rules](#) treating certain "forever chemicals" as hazardous are leading insurers to add more exclusions or require separate environmental coverage.
- **Coverage gaps between signing and closing:** Standard policies usually do not cover issues that arise (and are discovered) between signing and closing. Some insurers will add this "interim breach" coverage, but it needs to be negotiated early.
- **Streamlined "small deal" products:** For simpler transactions, insurers are offering faster, cheaper coverage—though with more standardized, less flexible terms.

What Representation and Warranty Insurance usually covers in a real estate deal

- Rent roll accuracy and the absence of undisclosed side agreements with tenants
- Property condition statements backed by inspection reports
- Environmental compliance supported by Phase I environmental reports
- Title and zoning confirmations, alongside regular [real estate development](#) and title insurance work

What it doesn't cover (or covers only with limits)

- Known issues discovered in diligence
- Changes in value after closing
- Certain environmental risks (PFAS, mold, asbestos, etc., unless separately insured)
- Purchase price adjustments in the contract

Tips for buyers and sellers considering Representations and Warranty Insurance

- **Plan early:** If coverage is desired, inform your insurance broker and lawyers as soon as the deal starts.
- **Do thorough diligence:** Insurers base coverage on the quality of property inspections, environmental reports, title review, and lease audits.
- **Match the contract to the policy:** Certain legal provisions (like definitions of "knowledge" and consistent materiality standards) make coverage easier to secure.
- **Think about other policies:** RWI works best alongside environmental and specialty insurance considerations, title coverage, and liability policies.

- **Coordinate with joint ventures:** For family or fund-owned properties, aligning RWI with joint ventures and structured investments can prevent disputes later.

Practical takeaways for families and investors

- RWI can **reduce risk, speed up closings, and smooth negotiations** in real estate transactions.
- Environmental exclusions are tightening—families should plan for additional coverage if PFAS or other hazardous materials are involved.
- RWI is not a substitute for diligence—it works best when paired with thorough 1031 exchange planning and property review.
- Early planning with legal and insurance advisors is key to securing competitive pricing and terms.

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